

Participating in the Perkins Loan Program



The Federal Perkins Loan Program included Federal Perkins Loans, National Direct Student Loans (NDSLs), and National Defense Student Loans (Defense Loans). Perkins Loans were low-interest, long-term loans made through school financial aid offices to help needy undergraduate and graduate students pay for postsecondary education.

THE FEDERAL PERKINS LOAN PROGRAM

The Federal Perkins Loan (Perkins) Program included 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. No Perkins disbursements of any type were permitted under any circumstances after June 30, 2018. If you awarded a Perkins Loan after September 30, 2017, or made a disbursement after June 30, 2018, the award or disbursement was made in error and must be corrected. The school must:

- reimburse the Perkins Loan Revolving Fund for the amount of the loan(s);
- correct the FISAP;
- notify the borrower; and
- update NSLDS accordingly.

See the “Perkins Loans Awarded or Disbursed after the Expiration of the Perkins Loan Program” EA of December 20, 2018 for more information on Perkins Loans awarded or disbursed after the expiration of the authority to award new Perkins Loans.

Level of Expenditure (LOE)

The Federal Perkins Loan Extension Act of 2015 prohibits making new Federal Perkins Loans after September 30, 2017. No disbursements of Federal Perkins Loans are permitted beyond June 30, 2018. Therefore, schools are no longer able to enter a request for an LOE on their school’s FISAP. However, schools are permitted to charge allowable collection costs to the Perkins Revolving Fund as allowed under 34 CFR 674.47.

EXCESS LIQUID CAPITAL

Due to the wind-down of the Perkins Loan Program, the Department will not be collecting Excess Liquid Capital from a school's Perkins Loan Revolving Fund after the 2017–2018 award year. This process is being replaced by a similar process, the *Distribution of Assets Process*. Please refer to the section below for additional information regarding returning the federal share to the Department.

The Federal Perkins Loan Program

34 CFR Part 674

DCL Gen: 17-10

DISTRIBUTION OF ASSETS FROM THE FEDERAL PERKINS LOAN REVOLVING FUND

The Extension Act amended HEA section 466(a). The HEA now requires each school participating in the Perkins Loan Program to return to the Department the Federal share of the school's Perkins Loan Revolving Fund (fund). The Department will begin collecting the federal share of schools' funds following the submission of the 2019–2020 FISAP.

The process we will use to determine the federal share of the Perkins Loan Revolving Fund that must be returned to the Department and the institutional share, which must be removed and returned to the institution, will be similar to the Excess Liquid Capital (ELC) process the Department had in place in accordance with HEA section 466(c). It is important to note that the upcoming Perkins Loan Revolving Fund asset distribution process accounts for changes in the Institutional Capital Contribution (ICC) matching requirements that have occurred over time, as well as any overmatching by the institution. We also take into consideration any Federal Capital Contribution (FCC) that has been previously returned by the institution to the Department, and any ICC that was previously returned to the institution.

Because schools may choose to continue servicing their Perkins Loans, the process of requiring the distribution of assets from the Perkins Loan Revolving Fund will continue on an annual basis, until such time as all of the outstanding Perkins Loans held by the school have been paid in full or otherwise fully retired, or assigned to and accepted by the Department. Schools that choose to continue servicing their outstanding Perkins Loan portfolios must continue to service these loans in accordance with the Perkins Loan Program regulations in 34 CFR part 674, and must also continue to report on their outstanding loan portfolio to the Department annually, using the FISAP. Because

schools may no longer advance funds to students, they may no longer claim an administrative cost allowance against their school's Perkins Loan Revolving Fund.

Returning funds to the Department

To ensure accuracy in processing the payment made by a school, the school should follow the instructions for “Returning Perkins Funds” that are located on IFAP on the Campus-Based-Processing Information webpage:

ifap.ed.gov/cbpmaterials/attachments/InstructionsForReturningPerkinsFunds.pdf

The Department strongly encourages institutions to return the federal share through the G5 miscellaneous refund functionality. For schools that have to submit payment by check, the school must follow the process and steps as written in the instructions that include sending an email to Perkinsliquid@ed.gov, notifying the Department that a check has been sent.

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.

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 or other written records (disbursement records or other proof the borrower received the loan), it may 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 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, when a loan has been repaid, your school must update the loan’s status in NSLDS.

Master Promissory Note (MPN)

34 CFR 674.31

DCL GEN-16-13

Retention of records

34 CFR 674.19(d) & (e)

Single vs. multiyear use of the Master Promissory Note (MPN)

The MPN for the Perkins Loan Program is a promissory note under which the borrower received loans for a single award year or multiple award years.

Because the MPN was 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 used the Federal Perkins MPN as a single award year promissory note, the borrower must have signed a new MPN each award year. When used as a multiyear note, the borrower should have signed the MPN only once—before the first disbursement of the borrower’s first Federal Perkins Loan.

While the Perkins Loan Extension Act of 2015 prohibits any new loans after September 30, 2017, you may have made Perkins Loans under an MPN for up to 10 years from the date the borrower signed the MPN. However, the first disbursement must have been made within 12 months of the date the borrower signed the MPN. If no disbursements were made within that 12-month period, the borrower must have signed another MPN before receiving a Perkins Loan. In addition, no further loans could have been made under an MPN after a school received written notice from the borrower requesting that the MPN no longer be used as the basis for additional loans, or after September 30, 2017.

Retaining the electronic MPN (eMPN)

If the student completed an 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 eMPN). Your school must 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.**

When using an e-signed MPN, a school must not only meet the Department's "Standards for Electronic Signatures in Electronic Student Loan Transactions" as specified in DCL GEN-01-06, but also adhere to the regulatory requirements for retaining information on loans that are e-signed under 34 CFR 674.50. For additional information, please see "Assignment under e-Sign or Perkins MPN" section in Chapter 5 of this volume.

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. If your school is required to reimburse its fund, 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, if applicable. Also, you should not reimburse the Perkins Loan fund for loans on which your school obtains a judgment.

Reimbursement for overpayments or default

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

Required coordination process

When a student ceases to be enrolled at least half time, he or she immediately enters grace or repayment. **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*.

Coordinating official

34 CFR 668.16(b)(1)

Credit bureau reporting

Your school or its servicer should have reported each Federal Perkins Loan to at least one of the three national credit bureaus with which the Department has an agreement or to a local credit bureau that is affiliated with one of those three credit bureaus. You should have reported the following information:

- ◆ 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.

You must continue to report changes to information previously reported to the same credit bureau(s) to which the information was originally reported until the loan is repaid, transferred, or otherwise satisfied. You must report those changes in the month that they occur.

Perkins NSLDS reporting

Schools with active Federal Perkins Loans (including National Direct Student Loans and National Defense Student Loans) **are required to update data on loans to NSLDS at least monthly**. Schools should reconcile NSLDS information with the institution's records and/or servicer's records at least twice annually. Any discrepancies in NSLDS information should be updated as necessary.

Data providers must meet all NSLDS reporting requirements as detailed in the NSLDS Federal Perkins Data Provider Instructions (Version 8) at: ifap.ed.gov/nsldsmaterials/attachments/FederalPerkinsD-PIInstructVer8.pdf

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) on a monthly basis. 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.

You must report enrollment and loan status information to nsldsifap.ed.gov according to the schedule published in the *NSLDS Reporting Guide*. For NSLDS assistance call 1-800-999-8219 or send an email to NSLDS@ed.gov. For more detail, see 34 CFR 674.16(j)

PERKINS RECORDKEEPING

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

- ◆ 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 during exit loan counseling as required by the Perkins Loan regulations.

You must maintain the original promissory note signed by the student until the loan is satisfied. 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.

A school must keep original paper promissory notes or original paper MPNs and repayment schedules in a locked, fireproof container. 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. If a promissory note was signed electronically, the school must store it electronically and the promissory note must be retrievable in a coherent format.

When the borrower has fully repaid a Perkins Loan, your school must either return the original or a true and exact copy of the note marked “paid in full” to the borrower, or otherwise notify the borrower in writing that the loan is paid in full. 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. An original electronically signed MPN must also be retained by the school for three years after all the loans made on the MPN are satisfied.

A school must maintain records pertaining to cancellations of Defense, NDSL, and Federal Perkins Loans separately from its other Perkins records.

Perkins Record Retention

34 CFR 674.19.(e)

EXIT COUNSELING

Schools making Perkins Loans are required to conduct exit counseling. Your school should conduct exit interviews with borrowers either in person, by audiovisual presentation, or by interactive electronic means. (If you conduct exit interviews through interactive electronic means, you should take reasonable steps to ensure that each student borrower receives the materials and participates in and completes the exit interview.)

Schools should conduct this interview shortly before the borrower graduates or drops below half-time enrollment (if known in advance). If individual interviews are not possible, group interviews are acceptable. Your school may employ third-party servicers to provide Perkins Loan borrowers with exit interviews. In the case of correspondence study, distance education, and students in the study-abroad portion of a program, you may provide written interview materials by mail within 30 days after the borrower completes the program.

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.

The financial aid or business office professional must emphasize the seriousness and importance of the repayment obligation the borrower is assuming, describing the likely consequences of default, including

adverse credit reports, litigation, and referral to a collection agency. The counselor must further 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 the school's educational or other services.

If a borrower withdraws from school without the school's prior knowledge or fails to complete an exit counseling session, the school must provide exit counseling through either interactive electronic means or by mailing counseling material to the borrower at the borrower's last known address within 30 days after learning that the borrower has withdrawn from school or failed to complete exit counseling.

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 FSA Ombudsman Group.** The FSA Ombudsman Group 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 nsls.ed.gov).**
- ◆ **Review the opportunity for and effects of loan consolidation.**

Note: As part of the exit information, you must collect the name and address of the borrower's expected employer.

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.

When A Federal Perkins Loan 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. Loans that have been subject to a judgement may not be consolidated. If DLCS makes the consolidation loan, you will receive the amount you indicated on the LVC plus 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 next scheduled FISAP.

Loan Verification Certificate

34 CFR 685.220(f)(1)(i)

FSA Ombudsman

The Ombudsman Group is a resource for borrowers to use when other approaches to resolving student loan problems have failed. Borrowers should first attempt to resolve complaints by contacting the school, company, agency, or office directly involved. If the borrower has made a reasonable effort to resolve the problem through normal processes and has not been successful, he or she should contact the FSA Ombudsman.

U.S. Department of Education
FSA Ombudsman Group
PO Box 1843
Monticello, KY 42633

Phone: 202-377-3800
Toll-free: 1-877-557-2575
Fax: 202-275-0549

StudentAid.ed.gov/sa/repay-loans/disputes/prepare/contact-ombudsman

DCL FP-04-02

Exit Interviews for Students Enrolled in a Correspondence or Study-Abroad Program

In the case of students enrolled in a correspondence program or a study-abroad program that your school approves for credit, you may provide written counseling materials by mail within 30 days after the borrower completes the program.

Exit interviews

34 CFR 674.42(b)

Exit counseling requirements

34 CFR 674.42(b)

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

Disclosure of repayment information

Either shortly before the borrower ceases at least half-time study or during the exit interview, schools must disclose critical repayment information to the borrower in a written statement. Most of the repayment terms that the school must disclose to the borrower already appear in the promissory note. The school must also provide the borrower with the information listed under *Required elements of exit counseling* earlier in this chapter.

If your school exercises the minimum monthly payment option, you must inform the borrower that if he or she wants your school to coordinate payments with another school, he or she must request such coordination. If a borrower enters the repayment period without the school's knowledge, the school must provide the required disclosures to the borrower in writing immediately upon discovering that the borrower has entered the repayment period.

Disclosure of repayment information

34 CFR 674.42(a)

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

You should continue to examine your Federal Perkins Loan program and fiscal records at the start of the year and monthly until all loans have been assigned to and accepted by the Department (or otherwise fully satisfied) and you have completed the liquidation process in order to ensure that 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 accurately reflected on your Asset Account, Cash–Federal Perkins Loan.

Your school must remove funds from Revolving Fund, through the Distribution of Assets process, as instructed by the Department.

Note: The Excess Liquid Capital process was replaced by the Distribution of Assets process, beginning with the 2019–2020 award year.

PERKINS DUE DILIGENCE (34 CFR 674.41(B))

Under the due diligence general requirements, schools are required to:

1. keep borrowers informed, of any and all changes that affect the borrowers' rights or responsibilities;
2. respond to any and all inquiries from borrowers;
3. ensure that information available is provided to those offices (admissions, business, alumni, placement, financial aid, and registrar's offices) responsible for billing and collecting loans (including third-party servicers), as needed to determine the—
 - enrollment status of borrower;
 - expected graduation or termination date of borrower;
 - date the borrower withdraws, is expelled, or ceases enrollment on at least a half-time basis; and
 - borrower's current name, address, telephone number, and social security number.

Repayment Information a School Must Disclose

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 following:

1. 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;
2. the name and address of the party to which payments should be sent;
3. the current balance owed by the borrower;
4. the stated interest rate on the loan;
5. the 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;
6. an explanation of any special options the borrower may have for loan consolidation or other refinancing of the loan, and a statement that the borrower has the right to prepay all or part of the loan at any time without penalty;
7. a description of the charges imposed for failure of the borrower to pay all or part of an installment when due;
8. 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 Secretary or the institution to collect on the loan;
9. the total interest charges which the borrower will pay on the loan pursuant to the projected repayment schedule;
10. the contact information of a party who, upon request of the borrower, will provide the borrower with a copy of his or her signed promissory note; and
11. an explanation that if a borrower is required to make minimum monthly payments, and the borrower has received loans from more than one institution, the borrower must notify an institution if he or she wants the minimum monthly payment determination to be based on payments due to other institutions.

34 CFR 674.42(a)

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;
- repaying federal education loans that exceed or for which the payments exceed certain specified amounts; or
- receiving cancer treatment, and for the six months following the conclusion of treatment if your loan entered repayment before Sept. 28, 2018.

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.

Summary of Federal Perkins Loan Borrowers Rights and Responsibilities, page 1

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 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

1-555-666-1234

by sending an email to

(Your school's email address)

PERKINS REPORTING REQUIREMENTS

Until a Perkins Loan has been accepted by the Department, a school must satisfy all of the reporting requirements. Reporting to NSLDS (34 CFR 674.16(j)): Schools, themselves or through their third-party servicers, are required to report enrollment and loan status information on all Perkins loans to NSLDS. Please be reminded of the following:

- ◆ It is the school's responsibility to ensure that the required reporting to NSLDS, including Perkins Loan account detail, is completed timely and accurately. Schools that use a third-party servicer must communicate the reporting requirements to their third-party servicer and ensure that the servicer complies with timely and accurate reporting. It is important for schools to understand that they are responsible for any non-compliance by the servicer.
- ◆ Perkins Loan reporting includes enrollment data for each loan. It is important to report the actual location where the student is attending classes in the Code for Current School (NSLDS Perkins Data Provide Instructions (DPI), Field Code #286) for each loan record in the data extract file submitted to NSLDS. This ensures that the student is placed on the correct enrollment reporting roster and eliminates misreporting when the student is not attending classes at the main location.
- ◆ For purposes of Perkins Loan assignment, it is very important that borrower loan information is accurate and kept current through the assignment process and until the loan has been officially accepted for assignment to the Department and the school is notified of the acceptance.

Schools should request a reconciliation report from NSLDS to ensure the school's records are consistent with NSLDS, reconcile any discrepancies, and update NSLDS accordingly. We strongly encourage schools to complete this reconciliation with NSLDS at least quarterly. Schools can order a reconciliation report from the [NSLDS Professional Access website](#). Once logged into the NSLDS Professional Access website, select "REC005 Perkins Extract by Parameters" under the Report tab. Be sure to order two separate report requests—

- ◆ one report should have the desired loan status of "Open" selected;
- ◆ the second report should have the desired loan status of "Open-Pending Transfers Only" selected.

Note: Ordering only the "Open" status loans report will not necessarily return a report with the school's complete open loan portfolio.

Until the Department accepts a loan for assignment and is able to successfully report on the loan in NSLDS, the loan is still the responsibility of the school. The school will receive an acceptance letter when

the loan is accepted for assignment by the Department. At that time, the school must report the loan to NSLDS as transferred for assignment using the “AE” Code for Loan Status (NSLDS Perkins DPI, Field Code #263) and the assignment form’s “certification date” as the Date of Loan Status (NSLDS Perkins DPI, Field Code #262).

Overpayment Tolerance Procedures

If a loan holder receives a payoff from the Direct Loan Consolidation Program that is more than the amount needed to fully retire a borrower’s underlying loan(s) and that overpayment is less than \$10.00, the loan holder may retain the overpayment. The Direct Loan Consolidation Center will not expect payment from the loan holder. As noted for underpayments, the \$10.00 overpayment tolerance applies to the total of all of the borrower’s loans by loan program type that were consolidated by the borrower.

If a loan holder receives a payoff from the Direct Loan Consolidation Program that is more than the amount needed to fully retire a borrower’s underlying loan(s) and that overpayment is \$10.00 or more, the loan holder must promptly return the full overpayment amount to the Direct Loan Consolidation Center. All returns of funds to the Direct Loan Consolidation Center must include identifiers for each borrower and the specific loan type or types for which funds are being returned. You may not bill the student. For more details, see 34 CFR 685.220(f)(iii)(4).

Overpayment Tolerance

EA-06-28/2011

ENDING PARTICIPATION IN THE PERKINS LOAN PROGRAM

A school must liquidate its Perkins Loan portfolio when the school:

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

If your school is closing, please see procedures and guidance provided by the ED's School Participation Team at: <https://eligcert.ed.gov>

The wind-down of the Perkins Loan Program does not require schools to assign non-defaulted Perkins Loans to the Department or to liquidate their Perkins Loan Revolving Funds. However, schools may choose to assign any Perkins Loan to the Department or liquidate their Perkins Loan Revolving Fund at any time.

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

Assigning Perkins Loans to the Department

Schools, including nonliquidating schools, participating in the Federal Perkins Loan Program may submit a Perkins Loan for assignment to the Department at any time during the processing year using the Perkins Loan Assignment System User Access Process.

Schools assigning loans should keep in mind that:

- ◆ All Perkins loans that have been accepted for assignment by the Department are assigned without recompense.
- ◆ Any funds collected by the Department on assigned loans are the property of the United States. (A school loses access to the nonfederal portion of those Perkins Loans it assigns to the Department.)
- ◆ 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.
- ◆ Assignment of defaulted loans does 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.

ASSIGNMENT AND LIQUIDATION GUIDE

The *Federal Perkins Loan Assignment and Liquidation Guide* is available on the Campus-Based Processing Information Page on the Information for Financial Aid Professionals (IFAP) website. See the EA of May 3, 2019 on the Updated Federal Perkins Loan Assignment and Liquidation Guide for more detail.

The Assignment and Liquidation Guide includes information about the assignment process and information about the required processes for the liquidation of a school's Federal Perkins Loan (Perkins Loan) portfolio and Perkins Loan Revolving Fund (Fund). The following two processes can assist a school with the assignment and liquidation of its loans:

1. **Perkins Loan Assignment System (PLAS)**—allows schools to submit Perkins Loan assignments electronically. The system is found at efpls.com. There is a chart that summarizes supporting documentation that schools must provide when assigning Perkins Loan to the Department in Chapter 5.
2. **Online Perkins Liquidation Module in the eCampus-Based section of COD System**—streamlines the Perkins Loan liquidation process for schools and provides an accessible tracking system for both schools and the Department of Education (the Department) to view and track the eventual closeout process of a school's Perkins Loan Program. Schools must use the eCampus-Based section of COD System to notify the Department of their intent to liquidate their portfolio and Fund and begin the liquidation process. To get started, a school would log in to the eCampus-Based section of COD 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 following:
 - 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 eCampus-Based section of COD System will post the Federal share amount owed to a school's self-service page in the eCampus-Based section of COD 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.

A school must continue to file its FISAP annually until it can report all final activity. *Final* activity consists of 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 the distribution of the final Fund capital (current cash) has been made. Schools that have yet to receive an Official Liquidation Completion letter from the Department at the time annual FISAPs are due to be submitted to the Department must report Perkins data on its annual FISAP. Schools may be directed to report final FISAP data using the Phase 4 of the Perkins online closeout form through the Campus-Based Processing COD system online.

If you have questions regarding the Perkins Assignment and Liquidation Guide, contact the COD School Relations Center at **800-848-0978**. Customer service representatives are available Monday through Friday from 8 a.m. until 11 p.m. (ET). You may also email the center at CODSupport@ed.gov.

Assignment of loans

34 CFR 674.50

Steps for Schools Ending Participation in the Federal Perkins Loan Program

(For complete instructions, see the new Perkins Loan Assignment and Liquidation Guide on IFAP.)

Schools must use the Campus-Based Programs System in COD to initiate the process for Perkins liquidation and follow it through to completion. The Campus-Based System in COD guides schools through the liquidation and closeout process. Once a school has satisfactorily completed the liquidation and closeout process, the Department will post a Liquidation Completion Letter on the school's self-service page. The Department will also notify the school's financial aid office electronically that a school has satisfactorily completed the liquidation and closeout process.

Before beginning the liquidation process, a school must

- decide what its relationship will be with all third-party servicers it has been employing in managing its Perkins Loan program;
- communicate with those third-party servicers how the servicers will be utilized going forward (A school's third-party servicer may be obligated or contracted to assist with the process of assignment, including providing initial notification to borrowers and compiling loan data that will be used in completing assignment forms);

If a third-party servicer is assisting a school with liquidation of its portfolio, the servicer must adhere to the assignment and liquidation process procedures as outlined in the Assignment and Liquidation Guide as posted on IFAP. It is important that a school and/or its servicer check the Campus-Based Resources page on IFAP to ensure it is referencing the latest Guide and materials on the Perkins Liquidation process. See additional information about third-party servicers in Step 2 below.

- recall outstanding loans the school has placed with outside collection and litigation firms.

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

A school must submit its intent to liquidate electronically using the COD website. A school can log into COD and begin the liquidation and closeout process at any point during the program year.

Step 2. Notify Borrowers

A school must notify borrowers of the pending assignment of their Perkins Loan(s) to the Department.

Borrowers should be given at least 30 day's notice. Loans should be submitted to the Department no later than 45 days from the date the school submitted their intent to liquidate.

Sample Notification

Dear Federal Perkins, Direct, or Defense Loan Borrower:

We are writing to inform you that [*school name*] intends to cease participating in the Federal Perkins Loan Program. As part of this process, your Federal Perkins (or NDSL or Defense) loans(s) will be assigned to and transferred to the Department of Education.

Once the assignment of your Federal Perkins Loan(s) to the Department has been completed, "ECSI," the Federal Perkins Loan Servicer will provide you with information on where to send your payments and how contact them if you need assistance. Please continue to make your payments to [*school name or servicer name*] until you receive the notification from ECSI.

IMPORTANT: This information pertains ONLY to Federal Perkins Loans, National Direct Student Loans and National Defense Student Loans.

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

Third-party servicers must continue to bill and process loans that are in repayment. When a loan is submitted for assignment to the Department, the servicer should continue to bill and collect from the borrower until the loan is officially accepted for assignment. Third-party servicers should not stop collecting on loans in repayment prematurely and instead must wait until loans have been officially accepted for assignment. Third-party servicers must also continue to report changes to credit reporting agencies monthly until a loan is repaid, transferred, or otherwise satisfied. It is important that schools ensure their servicers receive copies of all official Acceptance Reports.

If a loan has been submitted for assignment but not yet accepted, funds collected on a loan should be deposited immediately into the school's Perkins Program Fund to await official notification of acceptance. Upon notification that the loan has been accepted for assignment, the school must issue a check to the Department, including the borrower and loan information so that the borrower's records can be updated to reflect payment.

A school/servicer should have reported every Perkins Loan to at least one of the three national credit bureaus with which the Department has an agreement or to a local credit bureau that is affiliated with one of those three credit bureaus.

Step 3. 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.

A school must ensure that its loans are properly accounted for and updated in NSLDS. The school should request a Reconciliation Report from NSLDS when it begins the assignment process and reconcile its records against the report to ensure its portfolio has been accurately reported to NSLDS. Schools can request a reconciliation file report (REC005) online at [NSLDSfap.ed.gov](https://nslds.fap.ed.gov). Ultimately, the total amount of loans and number of borrowers the Department has in NSLDS should reconcile with what the school reports on its final FISAP. Following the assignment process and updating of NSLDS, the system should show that no open loans remain at the school.

Schools can complete and submit assignments either manually by paper or electronically by using the Department's Perkins Loan Assignment System (PLAS).

Step 4. Purchase Loans (if applicable)

A school may be required to purchase loans that the Department will not accept for assignment.

See end of Chapter 5 for documentation requirements for Perkins Loan assignments.

All accounts deemed unenforceable by the Department will be rejected for assignment and returned to the school for purchase.

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

Step 5. Update NSLDS

A school must update Perkins loan records in NSLDS, and complete its NSLDS reporting requirements in accordance with the instructions in the *NSLDS Reporting Guide*.

For the purposes of Perkins liquidation and closeout, schools must ensure that all outstanding Perkins Loans are properly accounted for and updated in NSLDS—NSLDS must reflect that all borrower loan accounts for a liquidating school are retired, accepted for assignment by the Department, or purchased by the school.

It is a school's responsibility to ensure the required reporting to NSLDS (which includes Perkins Loan account detail) is completed on time and accurately. A school must complete its NSLDS reporting requirements in accordance with the instructions in the NSLDS Enrollment Reporting Guide and the Perkins Data Provider Instructions. Schools that utilize a third party servicer for billing, collecting, and reporting should communicate these requirements to its servicer.

Step 6. Perkins Closeout Audit

The school must schedule the Perkins closeout audit and provide a copy of the audit to Department when completed. A Perkins closeout audit is required as part of the liquidation process.

Step 7. Remit the Federal Share

A school must remit the federal share of the remaining Perkins cash from its Perkins Fund to the Department.

Any federal share of remaining capital should be refunded electronically via G5 (g5.gov), using the G5 Miscellaneous Refunds option.

Step 8. Final FISAP Data

A school must continue to file its FISAP annually until it can report all final activity. "Final" activity consists of 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 the distribution of the final Fund capital (current cash) has been made.

Schools that have yet to receive an Official Liquidation Completion letter from the Department at the time that annual FISAPs are due to be submitted must report Perkins data on their annual FISAP.

Schools may be directed to report final FISAP data using Phase 4 of the Perkins online closeout form through the Campus-Based Processing COD system. Schools can find the current FISAP form, instructions, and desk and technical references on IFAP.

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 previously so that the borrower records can be updated to reflect payment.

Loans accepted for assignment

Official Notification of Acceptance Report— When manual paper assignments are accepted, the school will receive a document identified as a *Perkins Load Database Report (Acceptance Report)* via email. The Acceptance Report is sent securely as an attachment from the email address **productionprocessing@efpls.com**. The subject line of the email is “Acceptance Report” and the body states that the attached is the acceptance report for date of batch submission.

A password is sent from the same email address separately in order to open the reports. This report provides borrower identification information, school identification information, and outstanding principal, interest and fees accepted for assignment by the Department. This is the official Acceptance Report notice and should be retained in the school’s records. Schools that utilize a third-party servicer to complete NSLDS monthly reporting must ensure that the Acceptance Reports reports are provided to those servicers, and that the servicers update the loan status of accepted loans in NSLDS.

Hard copies of the acceptance notices (Perkins Load Database Reports) may be sent to the address provided in the school’s program participation agreement. The school should ensure that its mail distribution staff becomes familiar with these notices and the offices to which they should be distributed.

Note: Schools that use PLAS for electronic submission can access information about accepted and rejected assignments through PLAS. These reports can be viewed online or printed from PLAS.

Notification to borrowers of assigned loans

A school must notify borrowers of the pending assignment of their loan(s) to the Department at least 30 days prior to assignment of the loan. This notification may result in payments from borrowers who have been unwilling to make payments in the past. If a payment is received, the school or its servicer should deposit the funds immediately into its Perkins Program Fund and await official notification that the loan has been accepted for assignment.

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 6200-31
Portland, OR 97228-6200**

The Borrower Customer Service telephone number is 866-313-3797.

Note: Courier services do not deliver to postal boxes. Therefore, we recommend using United States Postal Service 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. The school's name and OPEID should also be included and easily identifiable. A school should not contact the Department to request the return of a submission because a borrower has made a payment to the school.

Once a loan is submitted and accepted for assignment, it becomes the property of the Department. If the Department refuses to accept the loan for assignment, the school should correct any deficiencies and resubmit the complete loan package including the additional information for assignment.

Collection agency fees

If a collection agency has deducted fees from borrower payments after the account has been submitted and accepted by the Department, the institution may not charge these fees to the Perkins Loan Fund. The entire borrower payment must be forwarded to the Department.

Perkins Loan Assignment System

EA 2015-04-22 Electronic Processing Option for Perkins Loan Assignments

EA 2015-09-21 Perkins Loan Assignment System

CREDIT BUREAU REPORTING ON LOANS ACCEPTED FOR ASSIGNMENT

Once a Perkins Loan has been accepted for assignment by the Department, a school or servicer that has previously reported a borrower's loan to a credit reporting agency **MUST** report to that agency that the loan has been transferred.

In **Field 17A** the school or servicer should report the two digit code **05** (*Transferred*) AND enter the Special Comment Code **AL** (*Student Loan — Permanently Assigned to Government*).

In addition, when a school or servicer reports code 05, the school or servicer **MUST** also report, **Field 21** (*Current Balance*), **Field 22** (*Amount Past Due*), and **Field 17B** (*Payment Rating*).

Field 21 and Field 22 **must always be reported as 0**.

The acceptable values for the Payment Rating a school or servicer must enter in **Field 17B** are:

- 0 = Current account
- 1 = 30 - 59 days past due date
- 2 = 60 - 89 days past due date
- 3 = 90 - 119 days past due date
- 4 = 120 - 149 days past due date
- 5 = 150 - 179 days past due date
- 6 = 180 or more days past due date.

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 Federal Perkins Loan Servicer.

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.

Navigating to the Updated Guide

From the IFAP website home page at: 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 to all information regarding Perkins.

Required Assignment Documents

1. Assignment Manifest
2. Perkins Assignment Form
3. Institutional Certification (OMB 1845-0048) including Borrower and Loan Information (OMB 1845-0048)
4. Original Promissory Note or Perkins Master Promissory Note (MPN)
5. Repayment History
6. Judgment Information (if applicable)
7. Bankruptcy Information (if applicable)

SCHOOLS CAN SUBMIT ASSIGNMENT DATA ELECTRONICALLY

Schools can complete the Perkins Loan Assignment Form manually or online using the PLAS (see EA January 11, 2019). The Perkins Loan Assignment System allows authenticated users to:

- ◆ submit multiple loans as a “batch file” or submit individual loans;
- ◆ securely upload supporting documentation such as promissory notes, payment histories, etc. (note that the school is still required to mail the original promissory note to ECSI);
- ◆ 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 IFAP website.

RETURNING FEDERAL PERKINS LOAN PROGRAM FUNDS TO THE DEPARTMENT

Schools that need to return Federal Perkins Loan Program Funds to the 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

The process for returning Perkins Loan Funds is as follows:

1. Log in to G5 at 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 click 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 Distribution of Assets from the Revolving Fund.

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 nonliquidating schools as Distribution of Assets or liquidating schools as Liquidation in our system.

Questions About the Assignment Process

Questions about the status of assignment submissions or the correction of pending assignments should be directed to ECSI Federal Perkins Loan Services, at:

1-844-301-2620
productionprocessing@efpls.com

All emails about accounts submitted for assignment must be encrypted and must include your school’s name and OPEID. In addition, for each account about which you are inquiring you must include the student’s name and Social Security number.

If a school cannot use G5 to return funds

In rare cases a school might not be able to use G5 to return funds. A school that has 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 the school fails to provide precise information when returning the funds.

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 OPEID number, and DUNS numbers.
3. Include the reason for the remittance on any accompanying paperwork included with the check.
 - *Distribution of Assets from the Perkins Revolving Fund*—when returning the Federal share of the ELC
 - *Perkins Liquidation*—when closing out the Perkins loan Fund and returning the Federal Share at the end of the school’s liquidation process
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.

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