

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.

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 expected end 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.

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

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 from its Revolving Fund through September 30, 2017.

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.

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.

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 school must have a Perkins Loan LOE to make loans. **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.

TIP

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.

The official FWS allocation letter and the Perkins Loan LOE is the school's authority to exercise the FWS to Perkins Loan transfer option.

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. 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 the institution has in its Fund; 2) the amount of the Federal share of ELC that must be returned to the Department; 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 webpage:

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

The Department strongly encourages institutions to return ELC through the G5 refund function. For schools that have to 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, notifying the Department that a check has been sent.

MAKING A PERKINS LOAN

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

Loan maximums

34 CFR 674.12

Making and disbursing loans

34 CFR 674.16

Use of funds

34 CFR 674.18

Compliance with equal opportunity credit requirements

34 CFR 674.20

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.

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.)

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*.

A Perkins Loan 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. Additional Perkins Loans may be disbursed to a student for up to 10 years after the date the MPN is signed, although **no new undergraduate Perkins Loans may be awarded after September 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.

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 (<https://www.ftc.gov/tips-advice/business-center/guidance/fighting-identity-theft-red-flags-rule-how-guide-business>).

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 <https://www.ftc.gov/news-events/press-releases/2007/10/agencies-issue-final-rules-identity-theft-red-flags-and-notices>.

PERKINS PROMISSORY NOTE

MPN Promissory Note

34 CFR 674.31
DCL GEN-16-13.

Retention of records

34 CFR 674.19(d) & (e)

Perkins websites

ifap.ed.gov/dpcletters/gen0106.html

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

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 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, when a loan has been repaid, your school must update the loan's status in the National Student Loan Data System.



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.

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.

Limits on Multiyear Use of the MPN

You can no longer make a loan under an MPN

- 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;
- after September 30, 2017.

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.

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.

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.

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.)

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

DISBURSING FEDERAL PERKINS LOAN FUNDS

Predisbursement 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 all eligibility criteria, including enrollment status, have been met prior to disbursing Perkins Loan funds.

Disclosures required prior to first disbursement

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.



Each year, before the first disbursement is made the school must review all of the repayment terms in the promissory note, and provide 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 principal amount of that year's loan and its interest rate;
- ♦ 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;
- ♦ the total cumulative balance owed by the student to that school and an estimate of the monthly payment amount needed to repay that balance;
- ♦ an explanation of when repayment begins and when interest payments will be due;

- ♦ the minimum and maximum repayment terms, and the minimum monthly payment;
- ♦ the borrower's right to prepay the loan at any time;
- ♦ options the borrower may have for consolidation, refinancing, or cancellation;
- ♦ the definition of default and the consequences to the borrower;
- ♦ 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;
- ♦ collection costs that might be assessed including late charges and charges associated with litigation;
- ♦ 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);
- ♦ a notice making students aware that, although they are receiving a Perkins Loan for the 2017-18 award year, no additional Perkins Loans will be awarded after September 30, 2017;
- ♦ 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).

Single-Term Perkins Loans

Single-term loans are permissible. The Department expects schools to make Perkins awards 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.

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.

Notifications

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.

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 in the loan amount.

Loan Amount

Number of payment periods you expect the student will attend

Disbursing Federal Perkins Loans
34 CFR 674.16(b)(c)(d)(e) & (g)

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)

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:

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. However, a school may not make any subsequent disbursements of a Perkins Loan after June 30, 2018. 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.



Improper Disbursements

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

Loans to borrowers enrolled less than half time

Disbursements to borrowers enrolled less than half time

34 CFR 674.32



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 as follows:

1. If the borrower has a Federal Perkins Loan in repayment, on the date of the next scheduled installment payment of that loan.
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.

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.**

Coordinating official

34 CFR 668.16(b)(1)

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*.

Credit bureau reporting

34 CFR 674.16(h)

National credit bureaus

TransUnion Corporation 1-800-888-4213

Experian 1-888-397-3742

Equifax 1-800-685-1111

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:



- ♦ 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.

NSLDS reporting

Schools with active Federal Perkins Loans (including National Direct Student Loans and National Defense Student Loans) are required to report new loans including making new disbursements of Perkins Loans, or updating 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.

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.

PDF of NSLDS Data Provider Instructions

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

Return of funds

34 CFR 674.16(f)

34 CFR 668.22



EXIT COUNSELING

Exit counseling requirements

34 CFR 674.42(b)

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

Exit interviews

34 CFR 674.42(b)

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.

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.

Perkins NSLDS reporting

34 CFR 674.16(j)

You must report enrollment and loan status information to www.nsldsfa.gov by the deadline date established in the Federal Register.

For NSLDS assistance call 1-800-999-8219 or send an email to NSLDS@ed.gov.

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.

- ♦ **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 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 www.nslds.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.

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. Dept. 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

<https://studentaid.ed.gov/sa/repay-loans/disputes/prepare/contact-ombudsman>

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)

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.
11. An explanation that if a borrower is required to make minimum monthly repayments, and the borrower has received loans from more than one institution, the borrower must notify the 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)

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.

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.

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

Monthly reconciliation required

34 CFR 674.19 (d)

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, your Federal Perkins Loan draws recorded in G5 to the funds received in the bank account your school has designated to receive electronic transfers on a monthly basis. You must also reconcile 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 to ensure the following:

- ◆ 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.
- ◆ 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).
- ◆ Your ICC is 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.)
- ◆ Your school returns any excess liquid capital (the amount by which its cash from all sources for the award year significantly exceeds the year's total expenditures) as instructed by the Department.

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.

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)).

LVC

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

DCL FP-04-02

ENDING PARTICIPATION IN THE PERKINS LOAN PROGRAM

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.

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.

If your school is closing, please see procedures and guidance provided by the ED's School Participation Team at

ifap.ed.gov/ifap/helpContactInformationDetailedList.jsp?contactname=School%20Participation%20Division

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.

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.

NEW

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

<https://ifap.ed.gov/cbpmaterials/attachments/PerkinsAssignmentandLiquidationGuide.pdf>

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)

In an effort to reduce burden and streamline the Perkins Loan liquidation process for schools and to provide an accessible tracking system for both schools and the Department, schools must use the eCampus-Based (eCB) System to submit its intent for liquidation and begin the process. This process guides schools through the liquidation and closeout process. Schools begin the process through eCB and will finish the process in eCB. Once completed, a Liquidation Completion Letter from the Department will be posted to the school's self-service page.

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

A school must submit its intent to liquidate electronically using the eCampus-Based System (eCB). A school can log into eCB and begin the liquidation and closeout process at any point during the program year. After logging into eCB, select "Perkins Program Liquidation" from the menu choices on the left. Click on "Intent and Closeout Form" and follow the on-screen instructions.

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.

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 www.NSLDSfap.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.

The Department will not accept a loan for assignment if the promissory note is missing or unsigned.

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

Step 5. Update NSLDS

A school must ensure that all its Perkins loan records in NSLDS are kept current.

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 their servicers.

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.

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 asset to the Department.

Any federal share of remaining capital should be refunded electronically via G5 (<https://www.g5.gov>), using the G5 Miscellaneous Refunds option.

Step 8. Final FISAP Data

Schools must submit their final FISAP data. Schools will report the final FISAP activity related to their Perkins program liquidation and closeout using the automated eCB electronic closeout form process in eCB.

Assigning Perkins Loans to the Department

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. Visit the following for additional information:

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

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)
- ◆ The Department will not reimburse the school's Federal Perkins Loan Fund for those loans.
- ◆ 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 of loans

34 CFR 674.50

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
(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.

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 Federal Perkins Loan Servicer (ECSI).

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

<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 now 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 <https://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 (eCB) 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 eCB 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 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 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 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 email 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 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 should deposit the funds immediately into its Perkins Program Fund and await official notification that the loan has been accepted for assignment.

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**

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

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. 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.

SCHOOLS CAN SUBMIT ASSIGNMENT DATA ELECTRONICALLY

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 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 Information for Financial Aid Professionals (IFAP) website.

PERKINS RECORDKEEPING

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

- ♦ 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. 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 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.

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, are not considered to be routine form letters).

Sample certification statement

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: _____

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), that 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 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 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 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 nonliquidating 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 OPEID number, and DUNS numbers.
3. Include the reason for the remittance on any accompanying paperwork included with the check.
 - *Perkins Excess Cash*—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.

