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# Volume 6

## The Campus-Based Programs

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# Introduction to Volume 6

*The Campus-Based Programs include the Federal Work-Study Program (FWS), the Federal Supplemental Educational Grant Program (FSEOG), and the Federal Perkins Loan Program (Perkins Loans). This volume provides the information that schools need to administer those programs.*

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Here, we provide a summary of the changes and clarifications presented in greater detail in the chapters that follow. **Alone the text herein does not provide schools with the guidance needed to satisfactorily administer the Title IV HEA programs.** For more complete guidance, you should refer to the text in the chapters cited, the Code of Federal Regulations (CFR), and the Higher Education Assistance Act (HEA) as amended.

Throughout this volume, new information is indicated with the following symbol:

A blue rounded rectangle with the word "NEW" in yellow capital letters.

When the text represents a clarification rather than a change, it is indicated with:

A blue rounded rectangle with the word "Clarification" in yellow capital letters.

When we believe that historically there might be some misunderstanding of a requirement, we indicate that with:

A blue rounded rectangle with the word "Reminder" in yellow capital letters.

If we want to point out a bit of helpful information, we indicate it with:

A blue rounded rectangle with the word "TIP" in yellow capital letters.

Finally, if we want to draw your attention to something, we indicate it with:

A blue rounded rectangle with a yellow exclamation mark.

## Notes on Active Links

At the top of each page you will find links to the Federal Student Aid Glossary and Appendices, the Code of Federal Regulation (CFR), and Dear Colleague Letters (DCL).

[Glossary](#) [CFR](#) [DCL](#)

## Major Changes

### Chapter 2—The Federal Work-Study Program

- ♦ We have revised the treatment under *Federal and Nonfederal Share of Wages*.
- ♦ We have updated the discussion of the prohibition on the Federal share being used to provide fringe benefits.
- ♦ We have revised the discussion under *Waivers of the community service and/or math and reading tutor requirements*.

### Chapter 3—Participating in and Making Loans in the Perkins Loan Program

- ♦ We have expanded the discussion under *Disclosures required prior to first disbursement*.
- ♦ We have expanded the discussion of exit counseling by moving similar materials from Chapter 5 and including them in Chapter 3.

### Chapter 4—Perkins Repayment Plans, Forbearance, Deferment, Discharge, and Cancellation

- ♦ We have added a discussion on discharging a Perkins Loan when the borrower has died.
- ♦ We have added a sidebar on the *Assignment Procedures due to Total and Permanent Disability Discharge*.

### Appendix

- ♦ The appendices have been deleted and readers referred directly to the applicable DCLs.

# Campus-Based Programs

## Common Elements



## CHAPTER 1

### CAMPUS-BASED PROGRAMS OVERVIEW

A school must first enter into a Program Participation Agreement (PPA) with the Department of Education (the Department/ED) before it can participate and make awards of FSA funds in the Campus-Based Programs.

#### *Federal Perkins Loan Program*

The term *Perkins Loans*, includes Federal Perkins Loans National Direct Student Loans (NDSL Loans) and National Defense Student Loans. Federal Perkins Loans are low interest (currently 5%), long-term loans made by school financial aid offices to help needy undergraduate and graduate students pay for postsecondary education.

#### *Federal Supplemental Educational Opportunity Grant Program (FSEOG)*

The Federal Supplemental Educational Opportunity Grant Program (FSEOG) provides assistance to exceptionally needy undergraduate students. Students are exceptionally needy if they have the lowest Estimated Family Contributions (EFCs). Awarding priority must be given to Pell Grant recipients. Schools selecting FSEOG recipients must use the selection criteria discussed in *Volume 3*.

#### *Federal Work-Study Program (FWS)*

The Federal Work-Study Program (FWS) provides part-time employment to undergraduate and graduate students who need the earnings to help meet their costs of postsecondary education. The FWS Program encourages students receiving FWS assistance to participate in community service activities.

### Related information

The rules for awarding and packaging Campus-Based aid are discussed with the other FSA programs (*Volume 3*).

### Program Purposes

Perkins  
34 CFR 674.1  
FWS  
34 CFR 675.1  
FSEOG  
34 CFR 676.4

## PROGRAM PARTICIPATION AGREEMENT (PPA)

### Program participation requirements

The basic list of Program Participation Agreement (PPA) requirements is found in 34 CFR 668.14. Under the PPA, the school agrees to use the funds it receives solely for the purposes specified in the regulations for that program and to administer each program in accordance with the Higher Education Act of 1965 (HEA), as amended, and the General Provisions regulations.

PPA requirements for Perkins

34 CFR 674.8

PPA requirements for Federal Work-Study

34 CFR 675.8

PPA requirements for FSEOG

34 CFR 676.8

When a school completes its Application to Participate (E-App) (or its recertification), the school has the opportunity to elect participation in one or more of the Campus-Based Programs. When a school's application is approved (*Volume 2*), the Department sends an electronic notice to the president and financial aid officer notifying them that the school's PPA is available to print, review, sign, and return.

In addition to the requirements generally applicable to the FSA programs contained in the PPA, there are requirements unique to the Federal Perkins Loan and Federal Work-Study programs.

### Perkins PPA requirements

The Program Participation Agreement requires a school to calculate its Perkins Program default rate and report this rate on its Fiscal Operations Report and Application to Participate (FISAP) annually

The agreement for the Federal Perkins Loan Program also requires the school to establish and maintain a fund and to deposit into the fund:

- ♦ any Federal Capital Contribution (FCC) the school receives for the program for each award year. (Congress has not authorized any FCC for the Perkins Loan Program since the 2004–2005 award year);
- ♦ the Institutional Capital Contribution (ICC), including any ICC to match transfer of funds from other Campus-Based Programs;
- ♦ payments the school receives for repayment of loan principal, interest, collection charges, and penalty or late charges on loans from the fund;
- ♦ payments the school receives from ED for cancellations, such as teacher service cancellations (currently, no cancellation reimbursements are being appropriated by Congress) (see Chapter 4);
- ♦ any other earnings on fund assets, including net interest earnings on funds deposited in an interest-bearing account (total interest minus bank charges incurred on the account); and
- ♦ proceeds of any short-term, no interest loans made to the Fund by the school in anticipation of collections or receipt of FCC.

The institution shall use the money in the Fund only for

- ♦ making loans to students;
- ♦ administrative expenses as provided for in 34 CFR 673.7;

### Short-term Loans

**TIP**

Schools may make short-term loans to the fund to cover shortfalls in their collections and then reimburse themselves from the fund.

Generally, *short-term* means not more than a year.

- ♦ capital distributions provided for in section 466 of the Higher Education Act;
- ♦ litigation costs (see § 674.47);
- ♦ other collection costs, agreed to by the Secretary in connection with the collection of principal, interest, and late charges on a loan made from the Fund (see § 674.47); and
- ♦ repayment of any short-term, no interest loans made to the Fund by the institution in anticipation of collections or receipt of FCC.

### ***Federal Work-Study PPA requirements***

Under the Program Participation Agreement, schools participating in the FWS Program must

- ♦ make FWS employment reasonably available, to the extent of available funds, to all eligible students;
- ♦ award FWS employment, to the maximum extent practicable, that will complement and reinforce each recipient's educational program or career goals;
- ♦ assure that FWS employment is used to support programs for supportive services to students with disabilities; and
- ♦ inform all eligible students of the opportunity to perform community service and consult with local nonprofit, government, and community-based organizations to identify those opportunities.

### ***FSEOG PPA requirements***

Under the Program Participation Agreement, schools participating in the FSEOG Program must use the funds they receive solely to award grants to financially needy students to help those students pay their educational costs.

A student at an institution of higher education is eligible to receive an FSEOG for an award year if the student

- ♦ meets the relevant eligibility requirements contained in 34 CFR 668.32;
- ♦ is enrolled or accepted for enrollment as an undergraduate student at the institution; and
- ♦ has financial need as determined in accordance with part F of Title IV of the HEA.

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#### **FSEOG PPA requirements**

34 CFR 676  
Agreement  
34 CFR 676.8  
Student eligibility  
34 CFR 676.9

## THE FUNDING PROCESS

### Treatment of FWS in 90/10 calculation

FWS funds recovered by the school are excluded from revenues in the 90/10 calculation, unless the school used those funds to pay for a student's institutional charges. (See *Volume 2* for discussion of the 90/10 calculation.)

### First-time Campus-Based Program applicants

A school that has applied to participate in the Campus-Based Programs for the first time should submit a FISAP by the deadline even if the school has not been certified to participate in the programs. The Department will calculate a funding level for the school and put the funding on "hold" status until the school has been approved to participate. See "Allocation of Campus-Based Funds" later in this chapter for more information.

### *Fiscal Operations Report—The Application to Participate*

The Fiscal Operations Report and Application to Participate (FISAP) is divided into three main parts:

Part I – identifying Information, Certifications, and Warnings;

Part II – the Application to Participate in the three Campus-Based Programs in the upcoming award year; and

Parts III—V – the Fiscal Operations Report, in which schools provide information on any Campus-Based expenditures made during the award year just completed.

Any school that wants to obtain Campus-Based Program funds for an upcoming year and all schools that have received Campus-Based Program funds for the reporting year must complete the FISAP. All schools that complete a FISAP must provide the information requested in the *Identifying Information, Certifications, and Warning* section. A school that wishes to apply for Campus-Based Program funds for the coming year must complete *The Application to Participate* section of the FISAP. A school that received Campus-Based Program funds for the award year that just ended must complete *The Fiscal Operations Report* portion of the FISAP.

The Department uses the information your school provides in the Application to Participate and Fiscal Operations Report to determine the amount of funds your school will receive for each program. The Department uses your Fiscal Operations Report data to manage the Federal Perkins Loan portfolio and monitor expenditures in the Campus-Based Programs.

For program review and audit purposes, you must retain accurate and verifiable records for three years following the end of the award year in which the FISAP is submitted. For example, the award year in which you will submit the FISAP due on September 29, 2017 ends on June 30, 2017 (Award year = July 1, 2016–June 30, 2017). You must retain all records used in the creation of the FISAP due on September 29, 2017 until June 30, 2020 (three years from June 30, 2017—the end of the award year in which the FISAP is submitted).

The important dates in the FISAP award process are

- ♦ *August 1*—ED must make the FISAP software available to all participating schools.
- ♦ *October 1 (or the Friday before if October 1 falls on a weekend)*—the final deadline for submitting the FISAP to the Department.
- ♦ *December 15*—all corrections to FISAP data and resolution of edits must be submitted to the Department, and you must update your Federal Perkins cash on hand.
- ♦ *February 1*—ED sends tentative award notifications to all eligible schools.
- ♦ *April 1*—ED sends final award notifications to all eligible schools (if appropriations have been finalized).

You will find additional information on the Fiscal Operations Report later in this chapter.

## Completing and Submitting the FISAP



### FISAP on the Web

Schools submit the FISAP through the FISAP on the Web, available at: **cbfisap.ed.gov**.

To submit the FISAP on the Web, your school must have a user ID and password, which can be obtained on the eCampus-Based website (select “Login,” and select the registration link). Once you have registered, you will receive your user ID via email.

The FISAP is available for completion on the Web by August 1 of each year. It must be completed no later than October 1 of the same year. (The deadline will be earlier if October 1st falls on a weekend.) A list of all Campus-Based submission dates is posted on the FISAP on the website.

Schools may also make FISAP corrections on the website. For more information on amending previous submissions, see *Volume 5*.

### Certifications on the FISAP

Part I of the FISAP includes two required certifications:

1. Form 80-0013, Certifications Regarding Lobbying; Debarment, Suspension, and Other Responsibility Matters.
2. Standard Form LLL, Disclosure of Lobbying Activities (should only be completed if a school expends funds for lobbying activities).

See *Volume 2* for more information on these requirements.

### Address for certification/signature pages

**FISAP Administrator  
8405 Greensboro Drive  
Suite 1020  
McLean, Virginia 22102**

**Campus-Based Call Center** For assistance submitting corrections for closed years or for questions concerning the preparation of the FISAP, contact the Campus-Based Call Center at 877-801-7168 (8 a.m.–8 p.m. Eastern time); [cbfob@ed.gov](mailto:cbfob@ed.gov).

## Signing and Submitting Your FISAP



An electronic signature (eSignature) process is required for all forms within the eCampus-Based System.

The Chief Executive Officer's signature is required on all forms that require a signature within the eCampus-Based system. All forms must be signed (by eSignature or manual signature) and submitted by the appropriate deadline date.

### FISAP Signature Options

#### eSignature

The CEO is encouraged to sign the FISAP electronically through the eSignature tab within the eCB System at **cbfisap.ed.gov**. eSignature instructions are available through a link on the eCB Login page and through the Help tab within the eCB System.

**Reminder:** The FISAP form must be submitted before the FISAP eSignature may be submitted.

#### Authorization and Access to eCB eSignature

Access to the eCB system is provided by your school's Destination Point Administrator (DPA) through SAIG Enrollment at **fsawebenroll.ed.gov**. Read, Write, and Submit access to eCB are required for the CEO to be able to use the eCB eSignature functionality.

#### Manual Signature

The Department will also continue to accept the FISAP signature form manually. The manual process has not changed. To submit a manual signature for the FISAP, you must print the combined certification and signature pages for your FISAP submission, obtain the CEO's signature, and mail these documents (with the original signature) to the address on the previous page.

## Annual Campus-Based Deadlines



The Campus-Based Deadline dates Federal Register (FR) notices are listed by year at

**[ifap.ed.gov/ifap/cbp\\_deadlines.jsp](http://ifap.ed.gov/ifap/cbp_deadlines.jsp)**



## Allocation of Campus-Based funds

The Department allocates funds for the Campus-Based Programs directly to schools each award year, indicating the amount of funding for each program the school is authorized to receive from the Department for the award year. Using the information on the FISAP, the Department calculates the allocation amount using statutory formulas and the amount of funds appropriated by Congress for the program(s). A school will not receive an allocation that is in excess of its request.

A school can receive two types of Campus-Based fund allocations—initial and supplemental.

- ♦ **Initial Allocation**—the amount that the Department first allocates to each participating school for an award year from new funds appropriated by Congress, according to statutory allocation formulas. An eligible school receives an initial allocation for each Campus-Based Program in which the school participates.
- ♦ **Supplemental Allocation**—an additional amount of Campus-Based funds from the Department that is reallocated from the amount of unused Campus-Based funds returned from the previous award year by participating schools. Criteria for distributing these funds for each program are established in accordance with the statute and regulation.

### Allocation schedule

If your school submits the FISAP by the deadline (October 1), the Department will provide your school with tentative allocation information and your worksheet by February 1 of the following year and with final allocation information and worksheets by April 1 for the upcoming award year. In a Dear Colleague Letter, the Department notifies participating schools that they can view the methodology used for final award figures.

You can find the final funding worksheets for your school, your Electronic Statement of Account (ESOA), and your final award at **cbfisap.ed.gov**.

To access your school's final funding level worksheets and individual school awards, 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** and **Statement of Account**.

The *Final Funding Worksheet* shows the data that was used to determine a school's allocation for each Campus-Based Program in which it participates and how each final allocation was determined.

### Release of tentative and final funding levels

HEA 462(a)  
34 CFR 673.4

Your school's funding levels and corresponding worksheets will be posted in the "Self-Service" area on the eCB website at **cbfisap.ed.gov/ecb/CBSWebApp/** before your school's Campus-Based contact person will be notified by email when the tentative and the final funding levels are issued. Review your funding levels on the eCB website, and if you feel they are not correct, you may contact the Campus-Based Call Center at 877-801-7168.

### Federal Capital Contribution (Perkins)

Congress has not authorized a Federal Capital Contribution (FCC) for the Federal Perkins Loan Program since the 2004–2005 award year.

It is important that schools review their tentative allocations and the supporting worksheets so they can address any concerns before the final allocations are determined.



If your school doesn't receive its final allocation by April 1, it may mean that

- ♦ your school lost its eligibility to participate in FSA programs;
- ♦ your school is a new applicant for the FSA programs and/or for the Campus-Based Programs and its participation hasn't been approved yet;
- ♦ the Department has not received the FISAP signature/certification form with the required original signature of the school's CEO, or through the eCB system, the eSignature of the CEO; or
- ♦ Congress has not yet appropriated funds for the year.

If the reason(s) for holding the school's final allocation is/are resolved, the Department will release the school's final allocation.

The worksheet shows the actual numbers that were used to determine a school's allocation for each Campus-Based Program in which it participates and how each final allocation was determined. If your school is awarded a Supplemental Allocation, the Department will inform you before the end of September of the award year.

### Releasing and reallocation of funds

If a school does not use its total allocation during an award year, it can release the unexpended portion of the allocation of federal funds to the Department during August following the award year. These released funds can be reallocated to schools that need additional funds for the upcoming award year. This return of unexpended funds is called *releasing Campus-Based funds*.

Each year in July, the Department posts an Electronic Announcement (EA) at [ifap.ed.gov](http://ifap.ed.gov) that asks schools to release any previous award year funds that they have not expended and offers schools the opportunity to request supplemental FWS funds for community service. The Reallocation Form for schools wishing to return funds or request supplemental FWS funds can be found in the Setup Section of the eCB website ([cbfisap.gov](http://cbfisap.gov)).

### Reduction and reallocation

34 CFR 673.4(d)(3)

### Releasing unexpended funds

34 CFR 673.4(d)(3)

You must complete the Campus-Based Reallocation Form (on the eCB website) if you

- ♦ did not spend your entire allocation in any of the Campus-Based Programs, or
- ♦ want to request supplemental FWS funds to pay students in community service jobs (based on the criteria discussed later in this section).

A school may request supplemental FWS funds if it has

- ♦ spent at least 5% of its total FWS funds for the award year to compensate students employed as reading tutors of children or in family literacy activities as part of its community service activities, and
- ♦ an FWS fair share shortfall as shown on the school's final funding worksheet, provided with the final allocation letter.

After schools release their unexpended allocations, ED reallocates both the FWS and FSEOG funds to schools that have met the criteria for receiving a supplemental allocation. Criteria for distributing these funds for each program are established in accordance with the HEA and the Campus-Based Program regulations.

### *Underuse Penalty and Waiver*

If a school returns more than 10% of its allocated funds for a given award year in any one of the Campus-Based Programs, the Department may reduce the school's allocation for the second succeeding award year by the dollar amount returned unless the Department waives this provision. For example, if the school returns more than 10% of its 2016–2017 allocation, its 2018–2019 allocation may be reduced by the dollar amount returned for 2016–2017.

The Department may waive this penalty provision for a school if it finds that enforcement would be contrary to the interests of the program. To request a waiver, a school must submit an explanation with its FISAP by the deadline that shows that the school returned more than 10% of its allocation due to circumstances beyond its control and that are not expected to recur. ED explains the process a school must use to request a waiver in the FISAP instruction booklet.

To request a waiver, a school must submit an explanation of the circumstances with its FISAP. ED explains the process a school must use to request a waiver in the FISAP instruction booklet.

## PAYMENT METHODS AND CONDITIONS

Before requesting and disbursing FSA program funds, schools must meet certain conditions. These conditions vary depending on the way ED provides funds to schools. For more detail about the methods and conditions through which ED provides funds, see *Volume 4*. A school should not request funds in excess of the actual disbursements it has made or will make to students within the timeframe allowed.

## TRANSFER OF CAMPUS-BASED FUNDS

### Transfer

34 CFR 674.18(b)

34 CFR 675.18(e)

34 CFR 676.18(b)

### FWS transfer to Perkins and FSEOG transfer to FWS

U.S.C. 1095 [HEA section 488]

### Matching of Transferred Funds

If a school transfers Federal Perkins Loan funds to either FSEOG or FWS before depositing those funds in the school's Federal Perkins Loan fund, the school provides the match required by the FWS or FSEOG programs.

To help meet their students' need, schools may transfer funds from certain Campus-Based Programs into certain other Campus-Based Programs. The Department's permission is not required. A school's future allocations for the Campus-Based Programs are not affected by past transferring of funds between programs.

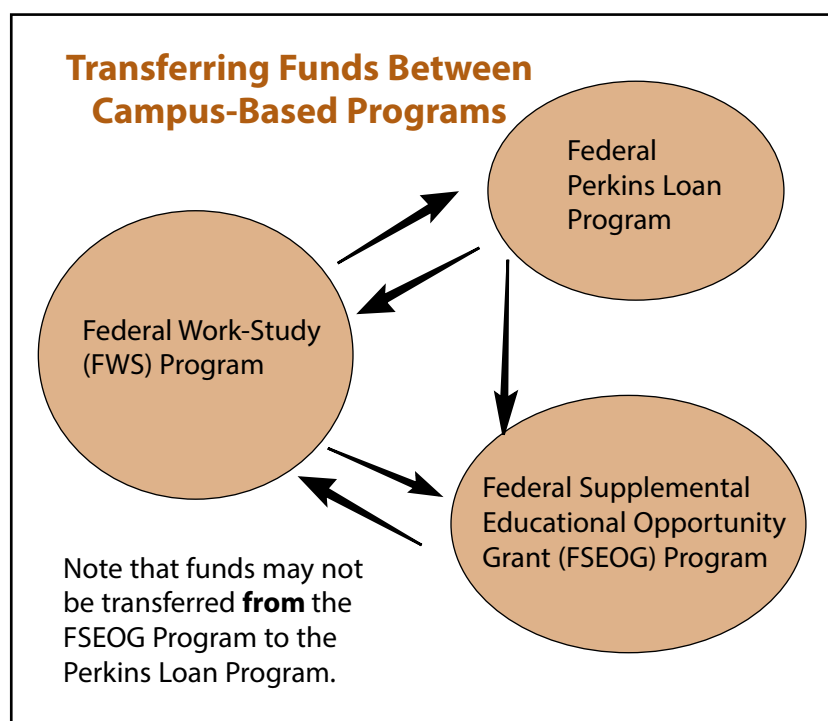
Several general rules apply to the transfer of funds between Campus-Based Programs:

- ◆ You must award transferred funds according to the requirements of the program to which they are transferred.
- ◆ You must report the transfer of funds on the Fiscal Operations Report portion of the FISAP.
- ◆ You may not transfer funds from one program to another unless you have awarded funds to students in the program from which you are transferring in the same award year.
- ◆ Any transferred funds that are unexpended must be transferred back to the original program at the end of the award year.
- ◆ All transfers must be reported on the FISAP.

The G5 system does not permit moving funds between programs or years. Schools report the transfer of Campus-Based funds on the FISAP only. Adjustments are NOT made in the G5 payment system. In the G5 system, all funds must remain in the original program award identifier (P033AxxXXXX for FWS and P007AxxXXXX for FESOG) and in the year received.



Descriptions of individual program fund transfers follow.



### General Principles

The official authorization letter for a specific award period is the school's authority to transfer funds across years or to other Campus Based Programs. A school may not carry forward or carry back FWS funds to any award year in which there is no specific FWS allocation, and the same requirement holds for FSEOG funds.

## FSEOG



A school may transfer up to 25% of its FSEOG allocation to its FWS allocation. (A school must have an FWS and FSEOG allocation for any year it wants to transfer funds from FSEOG to FWS.) Also, you may not transfer FSEOG funds to FWS unless you have awarded FSEOG funds to students in the same award year that you intend to make the transfer.



**A school may not transfer funds carried forward or back from other award years to a different Campus-Based program.**

A school must match any FWS funds transferred to FSEOG at the matching rate of that FSEOG program, but the match doesn't have to be made until the transfer has occurred.

## FWS



**You may not transfer FWS funds to FSEOG unless you have an allocation in both programs and have made awards to students from both programs for the award year.** Your school must have a Perkins Loan Level of Expenditure from the Department for the award year in order to transfer funds to Perkins.

A school may transfer up to 25% of the sum of its initial and supplemental FWS allocations for an award year to its FSEOG or Perkins Loan Program. **The total transfer cannot exceed 25% of the FWS allocation, whether the transfer is made to one program or divided between FSEOG and Perkins. Please note that FWS supplemental funding may not be transferred to another Campus-Based program. All FWS supplemental funding must be spent in community service.**

### Questions about Transferring Funds or Carrying Them Forward or Back

If you have questions regarding Campus-Based Program fund adjustments, transferring funds between Campus-Based Programs, or the carry forward and carry back authority for Campus-Based funds, 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.**

Funds carried forward to the next year or carried back to the previous year do not change the basis for the 25% maximum transfer. You must match any FWS funds transferred to FSEOG at the matching rate of the FSEOG Program, but the match doesn't have to occur until after the transfer has occurred.

If your school is actively advancing Perkins funds to students, you may transfer up to 25% of your initial and supplemental FWS allocations to your Perkins Loan fund. A school's entire FWS supplemental funding must be spent in community service. You must make the appropriate Institutional Capital Contribution as soon as you make the transfer.

**A school may not transfer funds from FWS to Perkins to resolve unexpended funds or avoid a penalty.**

### *Perkins*

A school may transfer up to 25% of the sum of its initial and supplemental annual Federal Perkins Loan allocation to FSEOG or FWS. You must match any Federal Perkins funds transferred to FSEOG or FWS at the matching rate of that program. You must adjust the match as soon as you make the transfer. The total transfer cannot exceed 25% of the Federal Perkins Loan allocation, whether the transfer is made only to one program or divided between FSEOG and FWS.

Because a school maintains a revolving Perkins Loan Fund, it does not need to receive a Perkins Loan FCC allocation for an award year to be able to transfer an allowable percentage of its FWS allocation for that award year to the Federal Perkins Loan Program. However, the school must have a Perkins Loan Level of Expenditure (LOE) from ED for that award year. The LOE is the authority from ED for the school to participate and spend monies from the Perkins Loan Fund for that award year, including making new loans to students. The official FWS allocation letter and the Perkins Loan LOE is the school's authority to exercise the FWS to Perkins Loan transfer option.

## FSEOG AND FWS CARRY FORWARD/CARRY BACK

Your school may spend up to 10% of its initial and supplemental FWS authorizations, or 10% of its initial and supplemental FSEOG authorizations in the following award year (carry forward). Before a school may spend its current year's allocation, it must spend any funds carried forward from the previous year.

Your school is also permitted to spend up to 10% of its current initial and supplemental FWS authorizations, or 10% of its initial and supplemental FSEOG authorizations for expenses incurred in the previous award year (carry back).

FWS supplemental funding may not be carried forward or back. Supplemental funding must be spent on community service in the award year in which the supplemental funding is awarded.

Your school must match FWS or FSEOG funds carried forward or carried back in the award year that they are spent. A school's future FWS or FSEOG program allocation is not affected by carrying forward or carrying back funds between award years.

### Carry forward/carry back

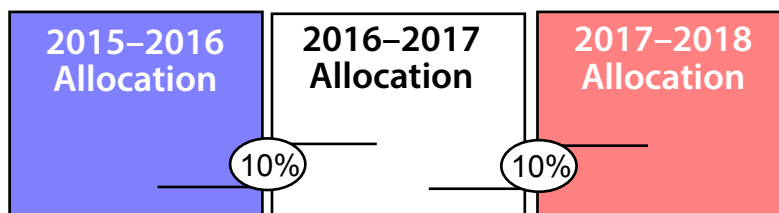
34 CFR 675.18(b)(c)(d)(e) & (f)

34 CFR 676.18(b)(c)(d)(e) & (f)

### G5: Funds Carried Forward/Back

Any Campus-Based funds carried forward or carried back between award years must be entered in G5 as an expenditure against the original program award in the year from which the funds were taken—not the authorization for the award year in which the funds were used.

### Carry forward/carry back



Rule: A school may transfer up to 10% of its current year initial plus supplemental authorizations for FWS and FSEOG, and up to 10% of its current year initial plus supplemental FSEOG authorization, forward to the next award year, or back to the previous award year.



### *Carry back funds for summer FWS employment and FSEOG awards*

You may carry back FWS funds for summer employment that is part of the prior award year. That is, you may use any portion of your school's initial and supplemental FWS authorizations for the current award year to pay student wages earned on or after May 1 of the previous award year but prior to the beginning of the current award year (July 1). This summer carry back authority is in addition to the authority to carry back 10% of the current year's FWS allocation for use during the previous award year.

Also, your school may spend any portion of its current award year's initial and supplemental FSEOG allocations to make FSEOG awards to students for payment periods that began on or after May 1 of the prior award year but ended prior to the start of the current award year (***carry back for summer***). This carry-back authority for summer FSEOG awards is in addition to the authority to carry back 10% of the current award year's FSEOG allocation for use during the previous award year.

### *FWS limitations on use of funds carried forward or back*

Schools are not permitted to add funds that are carried forward or back to the total FWS allocation for an award year when determining the maximum percentage of available funds that may be used in that award year for any of the following purposes

- ♦ transferring FWS funds to FSEOG,
- ♦ providing the federal share of wages in private for-profit sector jobs,
- ♦ the Job Location and Development (JLD) Program.

For example, if a school carries \$10,000 forward from 2015–2016 to 2016–2017, it may not include the \$10,000 in the total 2016–2017 allocation for these three purposes. For these purposes, the 2016–2017 percentage is based on a school's total 2016–2017 FWS initial allocation for the 2016–2017 year.

### *Reporting funds carried forward and back*

On the FISAP, you must report FWS or FSEOG funds that your school carries back and carries forward. For example, if a school carried forward 10% of its FWS 2016–2017 allocation to be spent in 2017–2018, the school must report this amount on the FISAP in Part V of the Fiscal Operations Report for 2017–2018 due October 1, 2018.



## FEDERAL AND NONFEDERAL SHARES (MATCHING)

The amount that a school may spend in a Campus-Based Program is composed of both federal and nonfederal funds. With the exception of certain schools (see below), schools that participate in the Campus-Based Programs must provide nonfederal funds as a *match* for the federal funds they receive. The specific matching requirements for each Campus-Based Program are different. For more detail on the requirements of federal and nonfederal shares for each program, see the program-specific sections later in this chapter.

### Federal share of FWS

In general, the federal share of FWS wages paid to a student may not exceed 75% of the student's total wages. However, there are some important exceptions to this rule.

1. If the student is working for a private for-profit organization, the federal share of the student's wages may not exceed 50%.
2. A school may use the federal share to pay up to 100% of the FWS wages if the work performed by the student is for the school itself and the school is an excepted institution or a federal, state, or local public agency, or for a private nonprofit organization. The student must be
  - employed as a reading tutor for preschool-age children or elementary school children,
  - employed as a mathematics tutor for children in elementary school through ninth grade,
  - performing family literacy activities in a family literacy project that provides services to families with preschool or elementary age children, or
  - employed in community service activities and is performing civic education and participation activities in community service projects.

A school is not required to ask the Department for a waiver of the FWS nonfederal share requirement to receive the 100% federal share authorization for an FWS student employed in one of these jobs. Instead, the school should use 100% federal dollars to pay such a student and then show on its FISAP that it did so.

### Federal Share

34 CFR 674.8(a)  
34 CFR 675.26 & 675.33(b)  
34 CFR 676.21

### Job Location & Development

A school may use up to 10% or \$75,000 of a school's FWS allocation for its Job Location and Development Program.

The federal share of allowable costs in carrying out the JLD Program may not exceed 80% of such costs. (See Chapter 2.)

### Wages from federal agency

The portion of the FWS wages contributed as the school share by a federal off-campus agency is not considered part of the "federal share." Thus, a federal agency may provide the required share of student compensation normally paid by off-campus agencies plus any other employer costs that they agree to pay.

3. A school may use the federal share of FWS wages to pay up to 90% of a student's wages if all the following conditions are met:
  - The student is employed at a private nonprofit organization or a federal, state, or local public agency. (Employment at the school itself is not eligible.)
  - The school does not own, operate, or control the organization or agency. To satisfy this requirement, your school must keep a statement in the school's file, signed by both the agency and the school, stating that they have no such relationship.
  - The school selects the organization or agency on a case-by-case basis. This requirement is satisfied when the school selects the agency through its normal process of selecting potential employers.
  - The organization or agency must be unable to pay the regular nonfederal share. To satisfy this requirement, the school must keep in its file a signed letter from an official of the agency stating that the agency cannot afford to pay the regular nonfederal share.
  - The 90% federal share is limited to no more than 10% of the students paid under the FWS Program. For purposes of this calculation, the school must use the total number of FWS students paid during the current award year. The 10% limit on the number of students paid with the 90% federal share does not include students whose FWS wages have been exempted from the full nonfederal share requirement due to being employed as a reading or mathematics tutor, performing family literacy activities, or performing civic education and participation activities in community service projects.
  - The federal share can be 100% for a school designated as an eligible institution under Title III or Title V of the HEA. (See discussion under *Title III and V Non-Federal Share Requirement Waiver for the FSEOG and FWS Programs* later in this chapter.)

### *Federal share of Perkins*

The federal funds allocated to a school in an award year under the Federal Perkins Loan Program are called the Federal Capital Contribution (FCC), and the matching share is called the Institutional Capital Contribution (ICC). Congress has not authorized new Federal Capital Contribution since the 2004–2005 award year.



## Federal share of FSEOG

In general, the federal share of Federal Supplemental Educational Opportunity Grant (FSEOG) awards made to students may not exceed 75% of the total FSEOG awards made by the school.

The federal share can be 100% for a school designated as an eligible institution under Title III or Title V of the HEA. (See the discussion under *Title III and V Non-Federal Share Requirement Waiver for the FSEOG and FWS Programs* later in this chapter.)

## NONFEDERAL SHARE

### Nonfederal share of FWS

The nonfederal share of a student's FWS wages must be at least 25% each award year, except as noted in the previous section. Your school may use any resource available to pay its share of FWS compensation except federal funds allocated under the FWS Program (or any other program funds where this use is prohibited). The school's share may come from its own funds, from outside funds (such as from an off-campus agency), or from both. However, if a student is employed by a private, for-profit organization, that organization must provide the nonfederal share.

Your school may also pay the institutional share with noncash contributions. If the school's noncash contribution is less than the remaining 25%, the school must make up the difference in cash.

Funds from programs sponsored by federal agencies (such as the National Science Foundation or the National Institutes of Health) may be used to pay the nonfederal share, as long as the programs have the authority to pay student wages. A school should contact the appropriate federal agency to see if the program in question does have this authority.

### Nonfederal share of FSEOG

The school must ensure there is a nonfederal match of 25% of the total FSEOG awards. The nonfederal share of FSEOGs must be made from the school's own resources. These resources may include

- ♦ institutional scholarships and grants;
- ♦ waivers of tuition or fees;
- ♦ the nonfederal portion of state scholarships and grants; and
- ♦ funds from foundations or other charitable organizations.

### Nonfederal share of FWS

34 CFR 675.27



#### Contributing Greater than Minimum Nonfederal Share of FWS

An employer can choose to contribute more than the minimum required nonfederal share. For example, if a school has a large demand for FWS jobs from its various departments, it may contribute more than the usual 25% to allow for additional employment. However, schools should not report any contributions over the 25% requirement on the FISAP.

### Nonfederal share of FSEOG

34 CFR 676.21(c)

The nonfederal share requirement is 25% of awards to students. In the following discussion of these methods, you should note that **for a student to meet the definition of an FSEOG recipient, some portion of the grant awarded the student must have come from the FSEOG federal dollars.** Note that the federal share can be 100% for a school designated as an eligible institution under Title III or Title V of the HEA. (See the discussion under *Title III and V Non-Federal Share Requirement Waiver for the FSEOG and FWS Programs* later in this chapter.)



### Use of State Grants in FSEOG Matching

All State scholarships and grants (including state vocational rehabilitation grants) are eligible funds that may be used to meet the nonfederal share requirement for the FSEOG Program.



Note that if a state grant includes any federal funds, those federal funds may not be included in the match.

The Higher Education Act of 1965, as amended, provides that the Federal share of awards made to students under the Federal Supplemental Educational Opportunity Grant (FSEOG) Program may not exceed 75%. The 25% nonfederal share of FSEOG awards must come from an institution's own resources, including institutional scholarships and grants, tuition or fee waivers, state scholarships and grants, and foundation or other charitable organization funds.

By the time the FSEOGs are disbursed (regardless of when in the award period the disbursements are made), the required match must have been accomplished; that is, the school's own resources must have been disbursed before or at the time the federal dollars are disbursed. However, outside resources (such as state grants, foundation, or other charitable organization funds) can be used to match FSEOGs even if the funds are received at a later date, provided that the school has written information about funds that the noninstitutional agency or organization is awarding to the student involved. The written information must be kept on file at the school.

## Types of nonfederal FSEOG matching

### Individual recipient basis

The school ensures that the nonfederal match is made to each individual FSEOG recipient together with the federal share in such a way that **every student's FSEOG award consists of 75% federal funds and 25% qualified nonfederal funds.** A school using this method calculates and documents on a student-by-student basis what portion of the student's FSEOG award comes from federal funds and what portion comes from nonfederal funds. Note that for the purpose of a Return of Title IV Funds calculation, only 75% of the funds are considered federal funds when a school uses this method of matching.



### Aggregate basis

The school ensures that the sum of all funds awarded to all FSEOG recipients in a given award year consists of 75% federal dollars and 25% qualified nonfederal funds. A school using this method calculates and documents on an aggregate basis what portion of total federal *and* qualified nonfederal funds awarded to all FSEOG recipients comes from federal funds and what portion comes from nonfederal funds.

For example, if a school awards a total of \$60,000 to all FSEOG recipients in an award year, it must ensure that \$45,000 comes from federally allocated funds and \$15,000 comes from nonfederal funds. The school may meet this requirement by awarding qualified nonfederal funds to FSEOG recipients on a student-specific basis. For example, if the school makes a total of \$60,000 in FSEOG awards to a total of 100 students, the entire nonfederal share may be met by awarding a total of \$15,000 in nonfederal resources to only five FSEOG recipients.



**However, each of the 100 FSEOG recipients must receive some FSEOG federal funds.** Note that for the purpose of a Return of Title IV Funds calculation, only 75% of the funds are considered federal funds when a school uses this method of matching.

### Fund-specific basis

The school establishes an FSEOG account for federal program funds and deposits the required 25% qualified nonfederal matching share into the fund. The matching funds must be deposited at the same time the federal funds are deposited. Awards to FSEOG recipients are then made from this *mixed* fund. Schools using the fund-specific method must deposit their institutional match at the time they receive the federal share funds. **For the purpose of a Return of Title IV funds calculation, 100% of the funds are considered federal funds when a school uses this method of matching.**



### Nonfederal share of Perkins

The nonfederal share required from the school's own funds for the Federal Perkins Loan Program is called the Institutional Capital Contribution (ICC). There will be no new FCC for 2017–2018. However, a school may contribute institutional funds to the Perkins revolving fund, through a short term loan or as additional ICC, and report these contributions in Part III of the FISAP.

### Title III and V nonfederal share requirement waiver for the FSEOG and FWS programs

#### Clarification

Certain schools are eligible for a waiver of the nonfederal share requirements under 34 CFR 675.26(d) of the FWS regulations and 34 CFR 676.21(b) of the FSEOG regulations. To receive a waiver of the FWS and FSEOG nonfederal share requirement, the school must be designated by the Department of Education's Office of Postsecondary Education Institutional Service (OPE/IS) as an eligible Title III or Title V institution under the Higher Education Act (the HEA). These waivers are granted for the year immediately following the year in which the institution receives the Title III or Title V designation.

To qualify for a Title III or Title V waiver of the nonfederal share requirement, an institution (one having a unique six-digit OPEID with a two-digit extension of "00") must submit its own FISAP and qualify for Title III or V designation under its own OPEID.

### Questions About Title III or V Eligibility

If you have questions about your school's eligibility for Title III or Title V, contact

U.S. Department Of Education  
Office of Postsecondary Education  
Strengthening Institutions Program  
Lyndon Baines Johnson (LBJ) Building  
400 Maryland Avenue, S.W.  
Washington, DC 20202

Christopher Smith  
christopher.smith@ed.gov  
202-219-7012  
or  
Jeffrey Hartman  
jeffrey.hartman@ed.gov  
202-502-7607

Information is also available on the OPE/IS website:  
[www2.ed.gov/about/offices/list/opec/dues/eligibility.html](http://www2.ed.gov/about/offices/list/opec/dues/eligibility.html)

General electronic announcements will be posted to IFAP regarding the Title III or Title V process.

### Help with Waivers

For questions about the Title III/V waiver of the nonfederal share requirement for the FWS and FSEOG programs, contact the Campus-Based Call Center at 877/801-7168. Customer service representatives are available Monday through Friday from 8:00 A.M. until 8:00 P.M. (ET). You may also e-mail [cbfob@ed.gov](mailto:cbfob@ed.gov).

**Note:** Although an institution is granted a waiver, it may choose to continue providing an institutional share and to determine the amount of that share for one or both of the programs.

It is important to note that the 50% federal share limitation for FWS wages paid to students employed by a private, for-profit organization and the 80 federal share limitation for the administration of the Job Location and Development (JLD) Program are not waived under the Title III or Title V designations. The institutional share requirements for these two categories of FWS expenditures are never waived.

### Designation as an eligible institution for Title III or Title V programs

The Department's Office of Postsecondary Education (OPE) has instituted a process known as the Eligibility Matrix (EM) under which institutional data submitted to the Integrated Postsecondary Education Data System (IPEDS) is used to determine which institutions meet the basic eligibility requirements for programs authorized by Title III and/or Title V of the HEA. OPE will review eligibility annually and make the information available on the OPE/IS website at

<http://opeweb.ed.gov/title3and5/>

Institutions that find they are ineligible for a Title III or Title V program have the option to complete the *Application for Designation as an Eligible Institution* by the deadline, and submit any additional documentation as requested by OPE for reconsideration. Institutions that do not appear in the EM as being eligible for a Title III or Title V program may apply for a waiver with OPE to be reconsidered.

Availability of the EM and the *Application for Designation as an Eligible Institution* are published each winter in an Electronic Announcement on the IFAP Website at [ifap.ed.gov/ifap/](http://ifap.ed.gov/ifap/), once the Federal Register notice and application deadline is posted on the OPE/IS website.

### Institutions currently receiving funding under a Title III or Title V grant

A school that receives grant funding under Title III or Title V is eligible for the FWS and/or FSEOG nonfederal share waiver for the entire duration of its grant. In the event that the school does not appear on the EM as an eligible institution but is receiving a grant for the year in question, the school not required to complete the *Application for Designation as an Eligible Institution* in order to receive the nonfederal share waiver as long as its grant funding can be verified by OPE.



### Schools designated as Historically Black Colleges and Universities (HBCU) or Tribally Controlled Colleges and Universities (TCCU)

A school that has been designated as an HBCU or TCCU but does not appear on the EM as an eligible institution is not required to complete the *Application for Designation as an Eligible Institution* in order to qualify for the FWS and/or the FSEOG nonfederal share waiver. HBCUs and TCCUs automatically qualify for the nonfederal share waiver each year as long as the school maintains this designation



The Department will send an email to the financial aid administrator of the Title III or Title V designated school in early spring indicating that the nonfederal share waiver has been granted for the upcoming award year.

### Administrative Cost Allowance calculation

34 CFR 673.7

### ADMINISTRATIVE COST ALLOWANCE (ACA)

A school participating in the Campus-Based Programs is entitled to an Administrative Cost Allowance (ACA) for an award year if it advances funds under the Perkins Loan Program, provides employment under the FWS Program, or awards grants under the FSEOG Program to students in an award year. The ACA may be used to help offset administrative costs, such as salaries, furniture, travel, supplies, and equipment. The ACA can also be used for service fees that banks charge for maintaining accounts. Computer costs associated with Perkins Loan billing may also be paid from this allowance. Schools may use the allowance to help pay the costs of administering not only the Campus-Based Programs but the Federal Pell Grant Program as well. Administrative costs also cover expenses for carrying out the student consumer information services requirements.

#### Reporting ACA on the FISAP

Remember to report all ACA drawn for the award year on the FISAP prior to the December 15th deadline to submit FISAP corrections. No increases or additional claims to ACA will be permitted after that date.

The amount of the ACA is calculated as a percentage of the school's expenditures to students for an award year under the Campus-Based Programs.

5% of the first \$2,750,000 of a school's  
Campus-Based expenditures to students

+

4% of Campus-Based expenditures  
greater than \$2,750,000 but less than \$5,500,000

+

3% of Campus-Based expenditures  
greater than \$5,000,000

When a school calculates its ACA for the award year, the school is to include in its calculation the full amount of its FSEOG awards—both the 75% federal share and the required 25% nonfederal share. However, a school that chooses to provide more than a 25% institutional share to FSEOG recipients may not include an FSEOG institutional share in excess of 25% in its FISAP or in the calculation of its ACA.

If a school makes no match after receiving a waiver of its required institutional share for the FSEOG Program or the FWS Program, that school's ACA may be calculated only on the full federal portion of its awards for those programs.

A school may not request a Perkins ACA if it has not made any Perkins Loans during the year.

The school takes the ACA out of the annual authorizations the school receives for the FSEOG and FWS programs and from the available cash on hand in its Perkins Loan fund. It is not a separate allowance sent to the school. A school may draw its allowance from any combination of Campus-Based Programs, or it may take the total allowance from only one program, provided there are sufficient funds in that program. However, a school may not draw any part of its allowance from a Campus-Based Program unless the school has disbursed funds to students from that program during the award year. If a school charges any ACA against its Perkins Loan fund, it must charge these costs during the same award year in which the expenditures for these costs were made.

Your school may use up to 10% of the ACA, as calculated previously, as attributable to its expenditures under the FWS Program to pay the administrative costs of conducting its program of community service. These costs may include

- ♦ developing mechanisms to assure the academic quality of a student's experience;
- ♦ assuring student access to educational resources, expertise, and supervision necessary to achieve community service objectives; and
- ♦ collaborating with public and private nonprofit agencies and programs assisted under the National and Community Service Act of 1990 in the planning, development, and administration of these programs.

A school may choose not to claim an ACA so that all the funds can be used for student awards.



## FUNDS AVAILABLE FOR AWARDS

The general principle for all Campus Based Programs is that the amount of funds available for awards is the federal share, plus the institutional match (unless otherwise waived), minus the ACA if the school chooses to claim ACA.



**No FSA grant, loan, or work assistance (or property traceable to that assistance) is subject to garnishment or attachment except to satisfy a debt owed to the Department.**

## PROJECTING NEED

The maximum amount of federal funds a school may draw down from each Campus-Based Program is based on the school's initial allocation and supplemental allocation for that program, as reported to the school in its Final Funding Authorization from ED.

Unless a nonfederal share requirement waiver has been granted, each Campus-Based Program requires that awards made to students be a combination of both federal and nonfederal funds. To accurately determine immediate cash need for Campus-Based Programs, you must calculate the portion of disbursements from each program that may be made up of federal funds, including funds carried forward. *The amount of funds drawn down represents the federal share only.* You must deposit institutional matching funds **at the time the federal funds are deposited** into the account from which Campus-Based awards will be made.

A school on the **advance payment method** must determine the amount of funds it needs before it transmits a request to draw down those funds through G5 payment system. The amount requested must be limited to the minimum amount needed to make disbursements, so excess funds do not exist after disbursements are made. For the Campus-Based Programs, the amount must be enough to meet the federal share of Campus-Based disbursements and the ACA when applicable.

The following equation may be used to calculate projected immediate needs:

$$\begin{array}{r}
 \text{Anticipated Disbursements} \\
 \text{minus Balance of Cash on Hand} \\
 \text{minus Anticipated Recoveries} \\
 \text{minus ACH/EFT Cash in Transit} \\
 \hline
 \text{equals Projected, Immediate Need}
 \end{array}$$



**A school should not draw down funds that exceed its immediate need.**

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**Deadline for making ACA accounting entries**

Campus-Based Program ACA accounting entries must be posted no later than June 30 of the award year for which expenditures for those costs were made.

34 CFR 673.7(g), 673.4(f) and 673.4(g).

***Program-specific considerations*****Federal Perkins Loan Program**

A school must determine whether the cash available in its Federal Perkins Loan fund is sufficient to make loan advances to students. In years funds are allocated for the Perkins Loan Program, a school may draw down only that portion of the FCC it needs to cover disbursements for the next three business days.

**FSEOG**

In the FSEOG Program, a school must time its drawdowns to coincide with the date it expects to disburse FSEOG funds to students. A school may draw down only the federal share of the FSEOG awards it will disburse to students within three business days of receiving the funds.

**FWS**

A school must time its FWS drawdowns to coincide with its payroll dates. A school must calculate the amount of federal funds needed to meet FWS payroll for a given pay period and draw down only the appropriate federal share of wages to be paid. Student wages must be paid within three business days of the date federal funds are received.

***Timing issues***

When a school initiates a drawdown from G5, a school should consider that processing requests within G5 typically takes one to three business days and whether the school is using ACH/EFT or FEDWIRE. Schools should also be aware of system downtime, federal holidays, and other delays in processing cash requests when determining immediate need.

## DRAWING DOWN FUNDS

Schools use the G5 system to draw down Campus-Based funds. To begin drawing down funds, log into G5 using the new two-factor authentication system. On the top panel, hover your cursor over the word **Payments**. From the options that appear, select **Create Payments**. The payment requests screen allows you to create, modify, and view payment requests.

Once you have selected Create Payments, you will see a list of awards.

The award(s) will populate with corresponding authorized and available balances from which drawdowns can be initiated. A school may use the **Recipient Reference Field** to identify the award type (i.e., FWS, FSEOG, etc.).

An important step in creating payment requests is setting the Deposit Date. The default deposit date displayed is based on the method the school has selected for receiving funds (ED's transmission method). The default date assumes that you are going to disburse the funds within three business days of the deposit date. However, you may set a deposit date that is up to 30 days after the current date.

For ACH payments, the default deposit date is the next business day if received prior to 3:00 p.m. Eastern time (ET), or two business days later if submitted after 3:00 p.m. If the request is made after 3:00 p.m. ET on Friday, the Deposit Date is the current date plus two days.

For payments by FEDWIRE, the default deposit date is the current date if the request is submitted before 2 p.m. ET, or the next day if submitted after 2 p.m. If the request is made after 2:00 p.m. ET on Friday, the Deposit Date is the current date plus two days.

After entering the request amount, click **Continue**. If you agree to the certification statement on the next screen, you will click **Submit** on the next page to complete the payment request.

After you have created payment requests, G5 performs validations. If the G5 system encounters a problem, the payment will not post and you will be notified by email. If there's a problem with your request, you should contact the G5 Hotline for help in resolving the problem.

G5 website: **www.g5.gov**

G5 hotline: **Phone: 888-336-8930**

Email: **edcaps.user@ed.gov**

### Two-Factor Authentication

The U.S. Office of Management and Budget has mandated that all federal agencies implement increased cybersecurity capabilities to prevent unauthorized access to government systems. The U.S. Department of Education is implementing a more secure means for users of the G5 Grants Administration System to gain access, referred to as Two-factor Authentication (TFA).

TFA is a security process in which the user provides two means of identification from separate categories of credentials. One is typically something that you know, such as a password; and the other is something that you have, such as a security code you download from your mobile device. The combination of these two security factors makes it more difficult for someone to access government systems. Once both the first and second factors are validated, users are allowed into the G5 system.

Two-factor Authentication will be rolled out to G5 users in groups starting in mid-April 2016 and extend through the end of June 2016.

Each group of users will be notified via an email a week before they are required to begin logging into G5 using Two-factor Authentication.

You can find training on Two-factor Authentication at [www.G5.gov](http://www.G5.gov) under the HELP menu. You do not need to be a registered user to access the training materials.

If you have any questions, please contact the G5 Hotline using one of the options below:

- Phone number: 1-888-336-8930
- Email: [edcaps.user@ed.gov](mailto:edcaps.user@ed.gov)
- Go to the self-help portal at [edcaps.force.com](http://edcaps.force.com) to submit a ticket.

Potential errors include but are not limited to

- ♦ deposit date that is not in the required format (MM/DD/YY);
- ♦ deposit date that is more than 30 days from the current date;
- ♦ deposit date that is earlier than the default date for the method of transmission selected in Pay By field;
- ♦ deposit date that is earlier than the award start date, or later than the last date to draw funds;
- ♦ request that is non-numeric or negative;
- ♦ request in which all fields are zero; and
- ♦ request that exceeds the available balance displayed in the available balance field.

If no errors are encountered, G5 displays a confirmation window, to ensure that the user intends to submit the information. You must click Yes to certify that the funds will be expended within three business days for the purpose and condition of the grant. Once you have completed the process, you will receive an email confirming your payment request has been accepted.

## CAMPUS-BASED RECORDKEEPING

A school must follow the recordkeeping requirements in the General Provisions (discussed in *Volume 2*) and those specific to the Campus-Based Programs.

A school must keep financial records that reflect all Campus-Based Program transactions and must keep all records supporting the school's application for Campus-Based funds. This documentation includes the applications and records of all students who applied for Campus-Based assistance for a specific award year and were included on the school's FISAP for that award year.

The school must also retain applications and records of students who applied for but did not receive aid, either because the school had no more funds to award or because the school determined that the student did not need funds. The school must keep general ledger control accounts and related accounts that identify each program transaction and must separate those transactions from all other institutional financial activity. Fiscal records must be reconciled at least monthly.

The Campus-Based records a school must maintain include but are not limited to

- ♦ the Student Aid Report (SAR) or Institutional Student Information Record (ISIR) used to determine a student's eligibility for Campus-Based Program funds;
- ♦ application data submitted to the Department or the school on behalf of the student;
- ♦ documentation of the payment of any return of Title IV funds or overpayment to the FSA program fund or the Department;
- ♦ documentation of the amount of a Perkins Loan, FSEOG or FWS award; its payment period; and the calculations used to determine the amount of the loan, grant, or FWS award;
- ♦ documentation of each FSEOG or Perkins Loan disbursement and the date and amount of each payment of FWS wages;
- ♦ documentation of the school's calculation of any refunds or overpayments due to, or on behalf of, the student and the amount, date, and basis of the school's calculation;
- ♦ information collected at initial and exit loan counseling required by Perkins Loan regulations; and
- ♦ reports and forms used by the school in its participation in a Campus-Based Program and any records needed to verify data that appear in those reports and forms.

### Retention of records

General Provisions

34 CFR 668.24

Perkins Loans

34 CFR 674.19

FWS

34 CFR 675.19

FSEOG

34 CFR 676.19

**Perkins Recordkeeping**

Perkins recordkeeping requirements are covered in Chapter 3 of this volume.

**FSEOG recordkeeping**

In addition to following the fiscal procedures and records requirements mentioned earlier and in *Volume 2*, a school must meet the following requirements, which are included in the FSEOG regulations:

- ◆ A school must establish and maintain an internal control system of checks and balances that ensures that no office can both authorize FSEOG payments and disburse FSEOG funds to students.
- ◆ A school must establish and maintain program and fiscal records that are reconciled at least monthly.
- ◆ Each year, a school must submit a FISAP and other information the Department requires. The information must be accurate and must be provided on the form and at the time specified by the Department.

**FWS recordkeeping**

For schools administering FWS, you must also follow the procedures established in 34 CFR 675.19 for documenting a student's FWS work, earnings, and payroll transactions. You must establish and maintain an internal control system of checks and balances that ensures that no office can both authorize FWS payments and disburse FWS funds to students. If you use a fiscal agent for FWS funds, that agent may perform only ministerial acts.

In school records, schools must distinguish expenditures for FWS compensation from other institutional expenditures. You should enter FWS compensation on a separate voucher or, if listed on the general payroll voucher, you should group FWS compensation separately from other compensation. If payrolls are handled on automatic data processing equipment, you should identify FWS with a special code.

You must establish and maintain program and fiscal records that are reconciled at least monthly. The records must include a

- ◆ payroll voucher containing sufficient information to support all payroll disbursements;
- ◆ noncash contribution record to document any payment of the school's share of the student's earnings in the form of services and equipment; and
- ◆ certification by the student's supervisor, an official of the school (or off-campus agency) that each student has worked and earned the amount being paid. Your school may use an electronic certification process. The school may still continue to have the FWS student's supervisor sign a paper certification. If the students are paid on an hourly basis, the certification must include or be supported by a time record showing the hours each student worked in clock time sequence or the total hours worked per day (see sidebar).

**Electronic Certification for FWS**

A school that uses an electronic certification must adopt reasonable safeguards against possible fraud and abuse.

The school should provide a secure electronic certification through an electronic payroll system that includes

- password protection;
- password changes at set intervals;
- access revocation for unsuccessful logins;
- user identification and entry-point tracking;
- random audit surveys with supervisors; and
- security tests of the code access.

See *Volume 2* for more information about recordkeeping, privacy safeguards, and information security.

## RECORD RETENTION AND FORMATS

### *Availability of records and period of retention*

Your school must make its records readily available for review by the Department or its authorized representative at an institutional location the Department or its representative designates. Generally, a school must keep records relating to the school's administration of a Campus-Based Program for three years after the end of an award year for which the aid was awarded and disbursed under that program.

There are some exceptions to this requirement:

- ♦ The school must retain the FISAP containing reported expenditures and any records necessary to support the data contained in the FISAP, including “income grid information,” for three years after the end of the award year in which the FISAP is submitted.
- ♦ The school must keep the original signed promissory note and repayment schedule *until all loans made on the promissory note or MPN are satisfied*, accepted for assignment by the Department, *or until the original note or MPN is needed to enforce loan collection*. Only authorized personnel may have access to these records.
- ♦ If a promissory note or MPN was signed electronically, you must store it electronically for *at least* three years after all loans made on the promissory note or MPN are satisfied. (The Department recommends that the school maintain a certified copy of the signed promissory note, as well as a record of the full amount owed, in its records beyond the three-year record retention requirement.) You must ensure that the promissory note or MPN can be retrieved in a coherent format.
- ♦ The school must keep *repayment* records for Perkins Loans, including records relating to cancellation and deferment requests, for at least three years from the date a loan is repaid, cancelled, or assigned to the Department. If a loan is assigned to the Department due to total and permanent disability, the school must retain any loan-related documentation that it does not submit for at least three years from the date the loan is assigned. In some instances, the Department may require schools to provide copies of repayment records, cancellation records or deferment requests in order for the loan to be accepted for assignment.
- ♦ Records questioned in an audit or program review must be kept for three years after the end of the program year in which the program review or audit was finalized.

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**Records readily available for review**

34 CFR 668.24(d)(2) & (f)



### *Record formats, storage, etc.*

A school must keep its Campus-Based Program records in one of the following formats:

- ♦ The school must retain the original signed promissory notes and signed repayment schedules for Perkins Loans in a locked fireproof container. **If a loan is assigned to ED, the school should keep copies of all the original documentation submitted to the Department with the assignment.** The school may not maintain only computer generated form(s) or microform(s).
- ♦ A school may keep other required records in hard copy or in microform, computer file, optical disk, CD-ROM, or other media formats, but all record information must be retrievable in a coherent hard copy format or in other media formats acceptable to the Department except that any document that contains a signature, seal, certification, or any other image or mark required to validate the authenticity of its information must be kept in its original hard copy or in an imaged media format.
- ♦ Any imaged media format used to keep required records must be capable of reproducing an accurate, legible, and complete copy of the original document, and, when printed, this copy must be approximately the same size as the original.

## THE FISCAL OPERATIONS REPORT

### FISAP Documents

You can access all FISAP references at [cbfisap.ed.gov](http://cbfisap.ed.gov).

The Fiscal Operations Report (*aka* FISOP) is parts III, IV, V, and VI of the FISAP. If you participated in any Campus-Based Programs in an award year, you must report on your activities for those programs by completing the appropriate portions of the FISAP by the next filing deadline.

- ♦ Part III applies to the Perkins Loan Program.
- ♦ Part IV applies to the FSEOG Program.
- ♦ Part V applies to the FWS Program.
- ♦ Part VI, applies to all three Campus-Based Programs.

In each program section, you will report how much of your school's total federal allocation was used and how much remained unexpended at the end of the award year. (Your school's unexpended authorization is equal to its final adjusted authorization amount minus its total expended authorization.) If this amount is a positive dollar figure, the amount of unexpended funds will be deducted from your school's G5 grantee account. **You may not make negative entries on the FISAP.**



## FISAP —Part III, the Federal Perkins Loan section

You must complete Part III, if your school

- ♦ is a continuing participant in the Federal Perkins Loan Program;
- ♦ made Federal Perkins Loans to students during the recent award year;
- ♦ is liquidating its Federal Perkins Loan portfolio. (You must do so every year until your final report shows that all outstanding loans have been assigned, fully retired, or purchased and that the federal share of cash on hand has been returned to ED and you have received the official liquidation completion letter from ED.)

The Federal Perkins Loan section of the FISAP consists of the following sections:

- ♦ **Section A** is a historical/cumulative report of your school's Federal Perkins Loan fund activity from the beginning of the program through the end of the most recent award year. **This section is the balance sheet for your Federal Perkins Loan fund, and it must balance.**
- ♦ **Section B** is a report of the Federal Perkins Loan activity that took place at your school during the **recently completed award year**.
- ♦ **Section C** is a report of your school's **cumulative repayment information** as of the end of the reporting year. This summary includes all data from your school's initial participation in the program through the recently completed award year.

In Section C you report the status of all borrowers as of June 30 of the reporting year. What you report in this section must match what your school has reported to the Department's NSLDS system. **If the data does not match you must reconcile the data and correct all discrepancies.**

Note: Schools are required to report new loans or updated data on existing loans to NSLDS once a month on a schedule established by ED. Schools are encouraged to reconcile their entire loan portfolio twice a year.

### FISAP

Campus-Based Programs 34 CFR 673.3  
Perkins Loan Program 34 CFR 674.19(d)(2)  
FWS 34 CFR 675.19(b)(3)  
FSEOG 34 CFR 676.19(b)(3)

### Signature Requirement

The FISAP must be signed by the person designated as the CEO in your school's Program Participation Agreement (PPA). With their signature, they are certifying

- the information submitted on the FISAP is true and accurate;
- no one managing the programs has been debarred or suspended;
- the school is a drug-free work place; and
- no federal funds are spent on any lobbying activities.

Electronic Signature (eSignature) is also an option. See the discussion under *Signing and Submitting Your FISAP* earlier in this chapter.

You can access all FISAP references at the school link **cbfisap.ed.gov**.

- ♦ **Sections D and E** are used to calculate your school's **cohort default rate**.
  - You complete Section D if your school had 30 or more borrowers who entered repayment during the award year.
  - You complete Section E if your school had fewer than 30 or more borrowers enter repayment during the award year.

For FISAP purposes, a cohort is defined as a group of borrowers that went into repayment during a particular year. The cohort moves up one year with each FISAP. Of the borrowers that went into repayment during the relevant year, the school reports how many were in default at the end of the following year. Schools that had fewer than 30 borrowers going into repayment use a three-year cohort.

### ***FISAP—Part IV, the FSEOG section***

Your school must complete Part IV if it received FSEOG Program funds during the most recent award year. The five sections in this part of the FISAP summarize your school's use of FSEOG funds during the previous year. The data you report in this section is used to

- ◆ determine underuse penalties in FSEOG;
- ◆ account for funds transferred across programs and across years during the reporting year;
- ◆ monitor the program (e.g., validate expenditure and balance totals by using the G5 "Award History Report"); and
- ◆ conduct year end close out of the FSEOG program funds.

**TIP**

In field 17, your school reports the expended FSEOG authorization. This amount must agree with the final FSEOG expenditures reported in G5.

### **Matching requirement**

Remember, unless your school has a waiver of its non-federal matching requirement, your school is required to contribute an additional amount equal to 25% of the awards to students, from your school's own resources. (*A school may choose to provide an additional institutional contribution from its own resources regardless of the waiver.*) So, unless your school has a matching waiver, when you report the total amount of FSEOG funds paid to recipients, the amount must include a nonfederal share of at least 25%. (See Electronic Announcement 2011-04-29 and the discussion earlier in this chapter under Nonfederal Share of FSEOG.)

**Note:** Any funds recovered on prior year awards should be returned to ED using existing G5 refund procedures. Refunds should be applied to the award corresponding to the funding year the recovered funds were awarded.

*FISAP—Part V, The FWS section***TIP**

If the nonfederal share of student compensation was paid in kind (for example, as a tuition waiver or room and board), the in-kind compensation value must be converted to a cash amount and reported in this section of the FISAP as part of your matching funds.

Your school must complete Part V if it received FWS Program funds during the most recent award year. The nine sections in this part of the FISAP summarize your school's use of FWS funds during the previous year. The data you report in this section is used to

- ♦ provide data for underuse penalties;
- ♦ account for and close out funds awarded in FWS for the Fiscal Operations Report year;
- ♦ monitor the program (e.g., validate expenditure and balance totals by using the G5 "Award History Report");
- ♦ report program transfers made during the year; and
- ♦ provide data for community service requirements.

When completing this section, it's important to remember that

- ♦ The institutional share includes amounts contributed by off-campus employers in addition to amounts contributed by the school itself.
- ♦ The amount reported should not include institutional expenditures for non-FWS employment.
- ♦ If your school has a Title III/V waiver, you will report this share as zero, unless your school chose to provide an institutional contribution.
- ♦ Any amount that your school spends for reading tutors of children/family literacy programs does not have to be matched.

**Note:** In Section E of this part, you will report how much of your school's total federal FWS allocation was used and how much remained unexpended at the end of the award year. (Your school's unexpended FWS authorization is equal to its final adjusted FWS authorization amount minus its total expended FWS authorization.)

If this amount is a positive dollar figure, the amount of unexpended FWS funds will be deducted from your school's G5 grantee account.

**You may not make negative entries on the FISAP.**

**Reminder**

## FISAP—Part VI, the Program Summary

Your school must complete Section A of the Part VI, if your school made any awards to students from any Federal Campus-Based Program during the most recent award year. This data is used to provide statistical data for analysis. In Section A, you report these expenditures by “Income Category” and by “Student Type.” In Section B, an amount is calculated for the ACA your school can claim on the basis of its total Campus-Based Program expenditures, as reported in Parts III, IV, and V of the FISAP.

$$\frac{\text{FSEOG Total Award}}{\text{Number of Payment Periods}}$$

## FREQUENCY AND AMOUNT OF FSEOG DISBURSEMENTS

If a student is awarded an FSEOG, you must pay the student a portion of this award in each payment period, even if you do not use standard academic terms. Within a payment period, a school may advance funds in whatever installments it determines will best meet the student’s need. To determine the amount of each payment period’s FSEOG disbursement, divide the total FSEOG award amount by the number of payment periods you expect the student to be enrolled.

For a school that measures progress in credit hours and academic terms, a payment period is defined as a term (semester, trimester, quarter). The definition of a payment period for a school that does not have academic terms or a school that measures progress in clock hours is discussed in more detail in *Volume 3*.

### Uneven costs/unequal disbursements

If the student incurs uneven costs or receives uneven resources during the year and needs extra funds in a particular payment period, you may make unequal FSEOG disbursements.

### Payment of FSEOG

34 CFR 676.16(a)

### Uneven costs/uneven payments

34 CFR 676.16(b)

### Payment periods

34 CFR 668.4

### Single-Term FSEOG Awards

A single-term FSEOG award is permissible if a student will only be enrolled for one term or only one term remains in the award year when the award is made. Moreover, the award would then be disbursed in a single disbursement.

When the regulations were revised to prohibit a single disbursement for an FSEOG award of \$501 or less, they did not prohibit single term awards.

### FSEOG Withdrawal and Return of Title IV Funds

If a student ceases attendance after receiving a lump sum FSEOG payment (of less than \$501, or after receiving a disbursement in a second payment period that includes funds for the previous period), only that portion of the FSEOG intended for the payment period in which the student was attending class should be included in the Return calculation.

## INTERNAL CONTROLS IN THE FSEOG PROGRAM— RECONCILIATION, FISCAL, AND PROGRAM RECORDS

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### Fiscal procedures and records

34 CFR 676.19

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



In addition, you should examine your FSEOG program and fiscal records monthly. Did the fiscal records on which you based your anticipated need for FSEOG funds accurately predict your disbursements, or are you returning unused funds? Were your matching funds deposited at the same time you received your federal share?



# The Federal Work-Study Program



*This chapter covers issues specific to operating a Federal Work-Study (FWS) program, including Community Service, Job Location and Development (JLD), and Work-College programs. For student eligibility criteria relating to Campus-Based Programs, including FWS, refer to Volume 1. For information on selecting Campus-Based recipients, and calculating and packaging Campus-Based awards, see Volume 3.*

## FWS JOBS AND EMPLOYERS

A student may be employed under the Federal Work-Study (FWS) program by the school in which the student is enrolled (on campus). You may also arrange for your school's FWS recipients to be employed off campus by

- ♦ federal, state, or local public agencies; or
- ♦ certain private nonprofit or for-profit organizations.

Off-campus FWS jobs with federal, state, or local public agencies or private nonprofit organizations must be in the public interest.

Off-campus FWS jobs with private, for-profit organizations must be academically relevant to the maximum extent possible.

Your school *must* use at least seven percent of its FWS allocation to employ students in community service jobs with at least one FWS student employed as a reading tutor for children in a reading tutoring project or performing family literacy activities in a family literacy project.

A school must make FWS jobs reasonably available to all eligible students at the school. To the maximum extent practicable, a school must provide FWS jobs that complement and reinforce each recipient's educational program or career goals.

In assigning an FWS job, a school must consider the student's financial need, the number of hours per week the student can work, the period of employment, the anticipated wage rate, and the amount of other assistance available to the student. While there is no minimum or maximum award, the amount for each student should be determined based on these factors.

### Student eligibility for FWS

34 CFR 675.9

### Selecting students

34 CFR 675.10

FEDERAL AND NONFEDERAL SHARE OF WAGES

FWS federal share

34 CFR 675.26

Limitations

34 CFR 675.26

Private for-profit organizations

34 CFR 675.26(a)(3)  
When a 100% share is authorized  
34 CFR 675.26(d)

90% federal share

34 CFR 675.26(a)(2)

JLD

34 CFR 675.33(b)

Timing of institutional share and noncash contributions

34 CFR 675.16(e)

In general, the federal share of Federal Work-Study (FWS) wages paid to a student may not exceed 75%. The 75% applies to expenditures for FWS wages and does not include any administrative cost allowance. Schools must provide at least 25% of a student’s total FWS wages from nonfederal sources. For example, if a school wanted to spend \$45,000 of its FWS federal funds for student wages, it would be required to provide at least \$15,000 in nonfederal funds. A total of \$60,000 would then be available to pay student wages under the school’s FWS Program.

There are situations when the ratio of federal share to nonfederal share of 75% to 25% does not apply:

- Any school may provide more than the required minimum 25% nonfederal share. For example, if a school received \$60,000 in federal funds and wished to spend a total of \$100,000 for student FWS wages, it could spend \$40,000 of nonfederal funds to do so. In this example, the federal share of students’ total earned compensation under the FWS program expenditures would be 60%, while the nonfederal share would be 40%.
- For off-campus FWS jobs with private, for-profit organizations, the federal share of wages paid to students is limited to 50%. The for-profit organization must provide a nonfederal share of at least 50%. The employer may contribute a nonfederal share that exceeds the required 50%. However, a school may use no more than 25% of its total current year initial allocations to pay wages to students employed with private, for-profit organizations.
- The federal share of compensation paid to students may be 100% in cases where the student is performing the following activities:
  - the student is employed as a reading or mathematics tutor for preschool age children or children who are in elementary school; or
  - the student is performing family literacy activities in a family literacy project that provides services to families with preschool age children or children who are in elementary school; or

TIP

Community Service vs. Reading Tutors

In order to be considered community service, the job has to be in an area that is open, accessible, and used by the community at large. Community service includes a whole host of jobs and is not limited to reading tutors. On the other hand, reading tutors may provide tutoring to some group that would not be considered part of the community. For example, a school population is not considered “open, accessible, and used by the community at large,” and therefore, in this context, is not considered a community.

TIP

3. the student is employed in community service activities and is performing civic education and participation activities in a project as defined in 34 CFR 675.18(g)(4).
- ◆ The federal share can be as much as 90% (and the nonfederal share can be as little as 10%) for students employed at a private, nonprofit organization or at a federal, state, or local public organization or agency under specific circumstances. Only organizations that are unable to afford the cost of this employment are eligible to pay a reduced nonfederal share. In addition, the school may not own, operate, or control the organization, and the school must select the organization or agency on a case-by-case basis. No more than 10% of a school's FWS students may benefit from this provision.
  - ◆ The federal share of FWS wages paid to a student may be lower than 75% if the employer chooses to contribute more than the minimum required nonfederal share. For example, if a school has a large demand for FWS jobs from its various departments, it may contribute more than the usual 25% to allow for additional employment.
  - ◆ The federal share can be 100% for all FWS positions (except for those at private, for-profit organizations) at a school that is designated as a Title III or Title V eligible school as described under *Title III and V Non-Federal Share Requirement Waiver for the FSEOG and FWS Programs* in *Chapter 1*.
- Note:** The federal share of allowable costs in carrying out the JLD Program described later in this chapter may not exceed 80% of such costs.

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**Nature and source of  
Institutional share**

34 CFR 675.27

***FWS nonfederal share sources***

A school can pay the nonfederal share from its own funds or other nonfederal sources such as outside funds from an off-campus employer. The school can also pay the nonfederal share in the form of documented noncash contributions of services and equipment such as tuition and fees, room and board, books, and supplies documented by accounting entries.

**When matching with cash, the school must deposit its share at the same time it receives the federal share.**

**TIP**

A school does not need the student's permission when making the match with services and/or equipment. **A school paying in cash and crediting the student's account with a portion of the student's pay to cover institutional charges may not credit the student's account with FWS earnings without the student's permission.**



If a school receives more money under an employment agreement with an off-campus agency than **the sum of** (1) required employer costs, (2) the school's nonfederal share, and (3) any share of administrative costs the employer agreed to pay, the school must handle the excess in one of three ways:

1. Use it to reduce the federal share on a dollar-for-dollar basis.
2. Hold it in trust for off-campus employment during the next award year.
3. Refund it to the off-campus employer.

Funds from programs sponsored by federal agencies (such as the National Science Foundation or the National Institutes of Health) may be used to pay the nonfederal share, as long as the programs have the authority to pay student wages. A school should contact the appropriate federal agency to see if the program in question does have this authority.

## FWS CONDITIONS OF EMPLOYMENT AND LIMITATIONS

All FWS work, whether on campus or off campus, has certain conditions and limitations. FWS employment must be governed by those employment conditions, including the rate of pay, that are appropriate and reasonable according to the type of work performed, the geographic region, the employee's proficiency, and any applicable federal, state, or local law, including state or locally established minimum wage rates.

FWS employment must not displace employees (including those on strike) or impair existing service contracts. Also, if the school has an employment agreement with an organization in the private sector, the organization's employees must not be replaced with FWS students.

### Eligible employers

34 CFR 675.20(a)

### Employment conditions and limitations

34 CFR 675.20(c)

### Academic credit and work study

34 CFR 675.20(d)

### Fees or commissions prohibited

34 CFR 675.27(b)

### FWS minimum wage

Dear Colleague Letter CB-96-23

### FWS wage rates

34 CFR 675.24



**Replacement is interpreted as displacement.** Therefore, replacing a full-time employee whose position was eliminated (for any reason) with a student employee paid with FWS funds is prohibited. Moreover, this prohibition extends to instances where a school first replaces the full-time employee with a student position paid with college funds.



**FWS positions must not involve constructing, operating, or maintaining any part of a building used for religious worship or sectarian instruction.** In determining whether any FWS employment will violate this restriction, a school should consider the purpose of the part of the facility in which the work will take place and the nature of the work to be performed. For example, if the part of the facility in which the student will work is used for religious worship or sectarian instruction, the work cannot involve construction, operation, or maintenance responsibilities. If that part of the facility is not being used for religious worship or sectarian instruction, the school should make sure that any work the student will perform meets general employment conditions and that other limitations are not violated.

Neither a school nor an outside employer that has an agreement with the school to hire FWS students may solicit, accept, or permit the soliciting of any fee, commission, contribution, or gift as a condition for a student's FWS employment. However, a student may pay union dues to an employer if they are a condition of employment and if the employer's non FWS employees must also pay dues.

The Fair Labor Standards Act of 1938, as amended, prohibits employers (including schools) from accepting voluntary services from any paid employee. Any student employed under FWS must be paid for all hours worked.

### Working During Scheduled Class Time Is Prohibited



In general, students are not permitted to work in FWS positions during scheduled class times. Exceptions are permitted if an individual class is cancelled, if the instructor has excused the student from attending for a particular day, and if the student is receiving credit for employment in an internship, externship, or community work-study experience. Any such exemptions must be documented.

### Paying Overtime in FWS

Although there is no prohibition on paying overtime in the FWS Program (for example, someone working on a stage crew may have to work overtime during a production), FWS is a program designed to provide part-time employment, and students should not often work in excess of 40 hours in a single week. Overtime and payment for overtime hours may not be used in a way that create an overaward in the student's financial aid package.

### Replacement prohibited

34 CFR 675.20(c)(2)(ii)

**TIP**

A student may earn academic credit as well as compensation for FWS jobs. Such jobs include but are not limited to internships, practica, or assistantships (e.g., research or teaching assistantships). However, a student employed in an FWS job and receiving academic credit for that job

- ♦ may not be paid less than he or she would be if no academic credit were given;
- ♦ paid for receiving instruction in a classroom, laboratory, or other academic setting; and
- ♦ paid unless the employer would normally pay a person for the same job.

### Disasters—Flexible Use of Funds

An eligible school located in any area affected by a major disaster may make FWS payments to disaster-affected students for the period of time (not to exceed the award period) in which the students were prevented from fulfilling their FWS obligations. The FWS payments

- may be made to disaster-affected students\* for an amount equal to or less than the amount of FWS wages the students would have been paid had the students been able to complete the work obligation necessary to receive the funds; and
- must meet the FWS matching requirements described in *Chapter 1*, unless those requirements are waived by the Department.

FWS payments may not be made to a student who was ineligible for FWS, was not completing the work obligation necessary to receive the funds, or had already separated from the student's employment prior to the occurrence of the major disaster.

34 CFR 675.18(i)

\* **Disaster-affected student**—a student enrolled at an institution who 1) received an FWS award for the award period during which a major disaster occurred; 2) earned FWS wages from an institution for that award period; 3) was prevented from fulfilling his or her FWS obligation for all or part of the FWS award period because of the major disaster; and 4) was unable to be reassigned to another FWS job.

The term “major disaster” means: any natural catastrophe (including any hurricane, tornado, storm, high water, wind driven water, tidal wave, tsunami, earthquake, volcanic eruption, landslide, mudslide, snowstorm, or drought), or, regardless of cause, any fire, flood, or explosion, in any part of the United States, which, in the determination of the President, causes damage of sufficient severity and magnitude to warrant major disaster assistance under this chapter to supplement the efforts and available resources of states, local governments, and disaster relief organizations in alleviating the damage, loss, hardship, or suffering caused thereby. —Section 102(2) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42) U.S.C. 5122(2)

## JOB DESCRIPTIONS

Job descriptions for all FWS positions should be a part of the control procedures included in your school's policies and procedures manual. A written job description will help you ensure that the position is one that qualifies under the FWS program regulations. In addition, a written job description provides students with the information they need to determine whether they qualify for the job, whether the job is related to their educational or career objectives, and whether the job is of interest to them. Moreover, by considering the rates of pay applicable to the position, the qualifications for each pay level, and the qualifications of a student applicant, a financial aid administrator can determine the hours a student will need to work in order to earn the funds specified in the student's FWS award. Finally, a written job description establishes a record to which all parties can refer. In addition, a written job description can help avoid disagreements and adjudication and provide a reference in such cases.

If a student is employed with an agency or organization that provides community services, the school should, as with any other FWS position, have a job description that includes the duties and the responsibilities. Schools should use the job description to verify that the job meets the definition of community services in the FWS regulations (see the discussion under *Community Service Jobs* later in this chapter). In addition, for students performing reading tutoring or family literacy activities, the job description should support those jobs.

Each FWS position should have a job description that includes the

- ◆ name of the position;
- ◆ classification of the position (e.g., reading tutor 1, reading tutor 2, laboratory assistant, library technician 1 or 2, etc.);
- ◆ name and address of the student's employer (the school, public agency, nonprofit organization, etc.);
- ◆ department or office in which the student will be employed;
- ◆ location where the student will perform his/her duties;
- ◆ name of the student's supervisor;
- ◆ purpose/role of the position within the organization;
- ◆ duties and responsibilities associated with the position and how they relate to the purpose/role;



- ♦ rates of pay for the position (cross-referenced to the wage rates appearing in the school's policies and procedures manual);
- ♦ general qualifications for the position and the specific qualifications for the various levels/rates of pay associated with the position;
- ♦ the length of the student's employment (beginning and ending dates);
- ♦ procedures for determining a student's rate of pay when a position has multiple rates; and
- ♦ evaluation procedures and schedules.

## ESTABLISHING WAGE RATES

### Wage rates

34 CFR 675.24

#### Minimum wage information

The federal minimum wage is \$7.25 per hour, effective July 24, 2009. The Wage and Hour Division of the Department of Labor posts information about federal and state minimum wage laws at: [www.dol.gov/whd](http://www.dol.gov/whd)

#### State & local minimum wage laws

The pay must meet the requirements of the state or local law. This means that when the state or local law requires a higher minimum wage, the school must pay the FWS student that higher wage. However, if the state or local law allows a wage that is less than the federal minimum wage, the FWS student must be paid at least the federal minimum wage.

#### Sub-minimum wages

The Small Business Job Protection Act of 1996 established a sub-minimum, or training wage, that is lower than the minimum wage. However, it is not permissible to pay the sub-minimum wage rate to students in FWS jobs.

### Wages from Federal Agency

The portion of the FWS wages contributed as the institutional share by a federal off-campus agency are not considered part of the "federal share." Thus, a federal agency may provide the required share of student compensation normally paid by off-campus agencies plus any other employer costs that they agree to pay.

Undergraduate students are paid Federal Work-Study (FWS) wages on an **hourly basis only**. Graduate students may be paid by the hour or may be paid a salary. **Regardless of who employs the student, the school is responsible for making sure the student is paid for work performed.**

A school should determine the number of hours a student is allowed to work based on the student's financial need and on how the combination of work and study hours will affect the student's health and academic progress. There are no statutory or regulatory limits on the number of hours per week or per payment period a student may work, provided no overaward occurs.

FWS employers must pay students at least the federal minimum wage in effect at the time of employment. If a state or local law requires a higher minimum wage, the school must pay the FWS student that higher wage. (See sidebar for link to federal and state information.) In addition, a school may not count fringe benefits as part of the wage rate and may not pay a student commissions or fees. In determining an appropriate rate, the school must consider the following:

- ♦ the skills needed to perform the job;
- ♦ how much persons with those skills are paid in the local area for doing the same type of job;
- ♦ rates the school would normally pay similar non-FWS employees; and
- ♦ any applicable federal, state, or local laws that require a specific wage rate.

A student's need places a limit on the total FWS earnings permissible but has no bearing on his or her wage rate. It is not acceptable to base the wage rate on need or on any other factor not related to the student's skills or job description. **If a student's skill level depends on his or her academic advancement, the school may pay a student on that basis.** For example, a junior or third-year lab student may be paid a higher rate than a sophomore or second-year lab student. However, in most cases, students performing jobs comparable to those of other employees should be paid comparable wages, whether the other employees are students at different class levels or are regular employees.

*Federal share may not be used to provide fringe benefits*

**Clarification**

The benefit of paid leave time is considered a fringe benefit and this benefit cannot be part of FWS compensation paid. A school is not permitted to use either the federal or the institutional share to provide fringe benefits such as sick leave, vacation pay, or holiday pay, or employer's contributions to Social Security, workers' compensation, retirement, or any other welfare or insurance program. These restrictions on the federal share apply even when the Department authorizes a federal share of 100% of FWS wages. A school is permitted, however, to pay fringe benefits from an account not related to FWS funds.

## TIMESHEETS

### FWS timesheets and payroll vouchers

34 CFR 675.19 (b)

You must maintain adequate timesheets or records of hours worked for FWS students. These timesheets must show, separately for each day worked, the hours a student worked, and the total hours worked during the job's payment cycle (i.e., twice a month, every week, every two weeks, etc., but not less than once a month). These amounts and hours recorded must match the hours for which the student is paid.

#### **FWS timesheets must be certified by the student's supervisor.**

Students working for your school must have their timesheets certified by either their supervisor or an official at the school. Students working in off-campus jobs must have their timesheets certified by an official at the off-campus site.



If a school requires off-campus employers to maintain paper timesheets and the school allows those timesheets to be submitted by Fax, the off-campus employer must provide the original copies of those timesheets to the school. Original copies should be mailed or hand delivered to the school at the first opportunity.

A school that uses electronic processes to record the hours worked by students must ensure that all signatures obtained in the certification of the hours worked satisfy the standards of the Electronic Signatures in Global and National Commerce Act. For more information about using electronic processes in your school's administration of the Title IV programs, please see the discussion under The E-sign Act and Information Security in *Volume 1*.

FWS records are used to compile the data submitted by schools on the Fiscal Operations Report section of the FISAP. Therefore, **a school must maintain those original FWS records for as long as it is required to maintain its FISAP data.**



## PAYROLL VOUCHERS

Your school must provide payroll vouchers that contain sufficient information to support all payroll disbursements. At a minimum, a school's payroll vouchers should

- ♦ include the school's name and address;
- ♦ identify the starting and ending dates of the payroll period;
- ♦ include the student's name;
- ♦ identify the student's work-study position;
- ♦ include the number of hours the student worked during the pay period;
- ♦ for undergraduate students, specify the student's hourly rate of pay;
- ♦ for a graduate student, identify the student's hourly rate of pay or the student's salary;
- ♦ include the student's gross earnings;
- ♦ itemize any compensation withheld for federal, state, county, or city taxes, and other deductions;
- ♦ include identification of any noncash payments made to the student for work during the period, and point to an auditable record of that contribution;
- ♦ include the student's net earnings;
- ♦ include a check number, duplicate receipt, or other auditable payment identification; and
- ♦ identify and itemize any overtime earnings (a student may be paid overtime with FWS funds).

## PAYING STUDENTS

### Payments to students

34 CFR 675.16

#### Student Exception to FICA Tax

FICA (Social Security and Medicare, including OASDI) taxes do not apply to service performed by students employed by a school, college or university where the student is pursuing a course of study. Whether the organization is a school, college or university depends on the organization's primary function. In addition, whether employees are students for this purpose requires examining the individual's employment relationship with the employer to determine if employment or education is predominant in the relationship.

Treasury Decision 9167: Final regulations published December 21, 2004.

Revenue Procedure 2005-11: Safe harbor standards that colleges and universities can apply in determining if an employee is eligible for the student FICA exception.

Background Information: Background information on the final regulations and revenue procedure providing guidance on the student FICA exception (section 3121(b) (10) of the Internal Revenue Code).

[www.irs.gov/Charities-&Non-Profits/Student-Exception-to-FICA-Tax](http://www.irs.gov/Charities-&Non-Profits/Student-Exception-to-FICA-Tax)

### Earnings applied to cost of attendance

34 CFR 675.25

A student's FWS compensation is earned when the student performs the work, and the school must pay the student that FWS compensation at least once a month. Regardless of who employs the student, the school is responsible for ensuring that the student is paid for work performed.

Before a school may make an initial disbursement of FWS compensation to a student for an award period, the school must notify the student of the total amount of FWS funds the student is authorized to earn, and how and when the FWS compensation will be paid.

Except when a school's institutional share is paid from noncash sources (tuition, services and equipment, room and board, and books), **the school must pay the student its share of his or her FWS compensation at the same time it pays the federal share.** If the school pays a student its FWS share for an award period in the form of noncash sources, it must pay that share before the student's final payroll period.



If a school pays its FWS share in the form of *prepaid* tuition, fees, services, or equipment for a *forthcoming academic period*, it must give the student a statement before the close of his or her final payroll period listing the amount of tuition, fees, services, or equipment earned.

A school may pay a student after the student's last day of attendance for FWS compensation earned while he or she was in attendance at the school.

A school must pay FWS compensation to a student by

- ♦ issuing a check or similar instrument that the student can cash on his or her own endorsement; or
- ♦ initiating an electronic funds transfer (EFT) to a bank account designated by the student; or
- ♦ crediting the student's account at the school (after **obtaining written authorization**).

### Records of noncash contributions

There are two cases under which students may not receive the net FWS earnings identified on their payroll voucher. In the first, a student who has FWS earnings at a school that provides its FWS institutional match with cash has provided written permission for the school to credit part of the student's earnings to the student's account. **A school must obtain a separate written authorization from a student before any part of the student's FWS cash earnings may be credited to the student's account at the school.** The school must maintain that authorization in the student's file. In addition, the school must provide a clear audit trail showing that the student received credit on the student's account for any earnings not paid directly to the student.



The second case involves schools that provide part (or all) of their FWS institutional match with credit for tuition, fees, services, or equipment. A school that provides its institutional match with tuition, fees, services, or equipment does **not** need to obtain a student's permission. However, **before employing a student**, this type of school must provide the student with a written explanation of this procedure, including the specific percentage of the student's earnings that the student will receive in credit for tuition, fees, services, or equipment. Moreover, **before the close of the student's final scheduled payroll period**, the school must give the student a statement that itemizes the total amount of tuition, fees, services, or equipment credited to the student's account from the student's FWS earnings. In addition **the school's records must provide a clear audit trail showing that the student received credit on the student's account for any earnings not paid directly to the student.**



## AUTHORIZATION



Except when a school's institutional share is paid with noncash sources (tuition, services and equipment, room and board, and books), a school must obtain a separate written authorization from the student if the student is paid FWS compensation by crediting the student's account at the school.

Except for schools that receive funds from the Department through heightened cash management, a school that obtains a written authorization from a student, may hold FWS funds as part of a student's Title IV credit balance on the student's account. In obtaining the student's written authorization, a school

- ♦ may not require or coerce the student to provide that authorization;
- ♦ must allow the student to cancel or modify that authorization at any time; and
- ♦ must clearly explain to the student how it will carry out the activity authorized.

If a student modifies the written authorization, the modification takes effect on the date the school receives the modification notice. If a student cancels a written authorization, the school may use the FWS compensation to pay only those authorized charges incurred by the student before the school received the cancellation notice. See *Volume 4* for a complete discussion of authorizations to hold students' funds.

### Written authorization

34 CFR 675.16(b) & (d)

If a school is not subject to the Tier 1 and Tier 2 requirements described in *Volume 4*, it may make direct deposits by EFT once the student provides his or her banking information. However, if a student fails to provide this information, the school must find some other way to pay the student any income earned.

668.164(d)(1)(i)

## CREDITING STUDENT ACCOUNTS

### Payments to student's account and resulting credit balances

34 CFR 676.16(c)

With a student's permission, a school may credit the student's account at the school to satisfy current award year charges for

- ♦ tuition and fees;
- ♦ board, if the student contracts with the school for board;
- ♦ room, if the student contracts with the school for room; and
- ♦ other institutionally provided educationally related goods and services.

In addition, a school may credit a student's account to pay **prior award year charges** if these charges are **not more than \$200**.



If a school pays a student FWS compensation by crediting the student's account, and the result is a credit balance, the school must pay the credit balance directly to the student as soon as possible but no later than 14 days after the balance occurred on the account.

Please see the discussion under *Crediting FWS Funds to Students Accounts and Paying Credit Balances* on the last page of this chapter for additional details on Paying Students.

### Holding FWS funds

34 CFR 675.16(d)(5)

## HOLDING FWS FUNDS

A school receiving funds under the reimbursement payment method (see *Volume 4*) may not hold FWS funds for students. Other schools may, if authorized by the student, hold FWS funds that would otherwise be paid directly to the student.



### If a school holds excess FWS funds, the school must

- ♦ identify the amount of FWS funds the school holds for each student in a subsidiary ledger account designated for that purpose;
- ♦ maintain, at all times, cash in its bank account in an amount at least equal to the amount of FWS funds the school holds for the student; and
- ♦ pay any remaining balance to the student by the end of the institution's final FWS payroll period for an award period.

If a student cancels the authorization to hold FWS funds, the school must pay those funds directly to the student as soon as possible but no later than 14 days after the school receives the cancellation.



## RECORDS AND REPORTING IN THE FWS PROGRAM

For reporting and accounting purposes, FWS expenditures must be distinguishable from other institutional expenditures. FWS compensation should either be entered in a separate sub-ledger, or, if listed on the general payroll ledger, should be grouped separately from other expenditures. If payroll records are maintained electronically, a special *cost center*, *object class*, or *program identifier* must be used for FWS payments to students.

## EARNINGS FOR THE NEXT PERIOD OF ENROLLMENT

Many FWS students must pay the bulk of their education costs before they have had a chance to earn FWS wages. To provide students with the opportunity to earn wages in time to pay more of their education costs, the Department allows students to earn FWS wages to cover expenses associated with the next period of enrollment offered by the school.

The student must be planning to enroll (or to reenroll) and must demonstrate financial need for that next period of enrollment. (The next period of enrollment is usually the next term, including a summer period, or in the case of summer earnings, the next full academic year.) A student may earn FWS funds for the next period of enrollment during any period of enrollment, including a period of enrollment that is comprised, in whole or in part, of mini-sessions. A student may also earn FWS wages towards the next period of enrollment during a period of nonattendance.

## EARNINGS FOR PERIODS OF NONATTENDANCE

### Earnings for periods of nonattendance

34 CFR 675.25(b)

A student may be employed through the FWS programs during a period of nonattendance, such as a summer term, an equivalent vacation period, the full-time work period of a cooperative education program, or an unattended fall or spring semester. A student must be planning to enroll (or to reenroll) and must have demonstrated financial need for the next period of enrollment. The student's FWS (net earnings minus taxes and job-related costs) during this period of nonattendance must be used to cover expenses associated with his or her financial need for the next period of enrollment.

A student whose eligibility for summer FWS employment during a period of nonattendance is based on his or her anticipated enrollment in the next period of enrollment may fail to attend the school. **When a student fails to attend for the next period of enrollment, the school that employed the student must be able to demonstrate that the student was eligible for employment and that the school had reason to believe the student intended to study at that school in the next period of enrollment.** At a minimum, the school that employed the student must keep a written record in its files showing that the student had either registered for classes or accepted the school's offer of admittance for the next period of enrollment.



A student in an eligible program of study abroad may be employed during a period of nonattendance preceding the study abroad if he or she will be continuously enrolled in his or her domestic school while abroad and if the student's courses abroad are part of the domestic school's program. In such a case, a student may be employed in a qualified position in the United States, at the home school's branch campus in a foreign country, at a U.S. government facility abroad, or in a U.S. company abroad.

### Mini-Session Example

Bowen University has a summer term made up of three mini-sessions. Ted enrolls in classes for the June and August mini-sessions but does not enroll in any classes for the July mini-session. Ted has a financial need of \$500 for his attendance in two of the summer mini-sessions. Ted also plans to enroll in the following fall semester and has a remaining need of \$250 for that semester. Ted is given a \$750 FWS award in the summer (\$500 for the two summer mini-sessions and \$250 for the fall semester). Ted knows his June mini-session courses will be very demanding, and he will not have time to work. So, Ted earns \$500 during the July mini-session when he has no classes. Ted has classes again in August, but his academic workload is lighter. In August, Ted earns \$250 toward his education costs in the upcoming fall semester.

## EARNINGS DURING MINI-SESSIONS

If a school combines a series of mini-sessions or modules into one term (e.g., three summer mini-sessions into one summer semester), an FWS student attending any of the mini-sessions may earn FWS wages at any time throughout that term. The school may apply those earnings toward the student's financial need for the mini-session(s) attended and/or the next period of enrollment. The school must base the student's financial need for attending the summer term on the period of time for which the student is actually enrolled in the mini-sessions.

The amount of FWS wages a student may earn at any given point in time in the term does not depend on whether or not the student is enrolled in a mini-session at that point in time. The school or student may choose how to distribute the hours worked throughout the summer term.

## GARNISHMENT OF FSA FUNDS IS PROHIBITED



Federal Work-Study earnings are not subject to garnishment or attachment except to satisfy a debt owed to the Department.

A student's FWS wages may be garnished only to pay any costs of attendance that the student owes the school or that will become due and payable during the period of the award. Schools must oppose any garnishment order they receive for any other type of debt.

By law, FSA funds may only be used for educational purposes. If your school is not the employer in an off-campus employment arrangement, it must have an effective procedure to notify off-campus employers that garnishment of FWS wages is not permissible.

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### Garnishment/attachment prohibited

HEA 488A(d)

#### TIP

## PAYMENT FOR FWS TRAINING AND/OR TRAVEL

A student may be paid for training for any FWS employment or for a reasonable amount of time for travel that is directly related to a community service job.

Because every job requires some type of training, whether formal or informal, the Department allows FWS students to be paid wages during a training period that is conducted for a *reasonable* length of time. This applies regardless of the type of FWS job the student has. A reasonable training period is one that occurs immediately before the student begins the regular duties of the FWS employment and does not exceed approximately 20 hours. Students also may be compensated for a reasonable amount of time to perform ongoing activities (for example, preparation and evaluation time) needed to accomplish their FWS jobs.

Schools may pay students for a reasonable amount of time spent for travel that is directly related to employment in community service activities. Time spent for travel should be reported on the student's FWS time record in the same way hours actually worked are currently reported.

**Schools should provide their students with a form on which students can record travel time separately from time spent working.**

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### Training and Travel

34 CFR 675.18(h)

#### TIP

## INTERNAL CONTROLS IN THE FWS PROGRAM— RECONCILIATION, FISCAL, AND PROGRAM RECORDS

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### Fiscal procedures and records

34 CFR 675.19

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



In addition, you should examine your FWS program and fiscal records at the start of the year and monthly:

- ◆ Do you have a method for verifying the rate of pay recorded in the payroll system corresponds to the position and experience level in the school's policies and procedures?
- ◆ Do you have a system that records the maximum a student may earn in FWS wages and alerts you if a student approaches that amount?
- ◆ Do you periodically evaluate your rate of expenditures to determine, if that rate continues, whether you will expend less than, the same as, or more than the amount you have budgeted for FWS expenditures?
- ◆ Are your matching funds consistently deposited at the same time you received your federal share?
- ◆ Has your institution drawn just enough funds from G5 for FWS to cover payrolls made? In the FWS program, your requests for funds should always be for a payroll for which data has been entered. Do you often find yourself requesting additional funds or returning unused funds?
- ◆ Do you have a process in place to ensure that students are working the hours reported—that timesheets are accurate?
- ◆ Do you frequently audit payrolls to test whether hours recorded in the payroll system match the hours reported on student timesheets?

## USE OF FWS ALLOCATED FUNDS

### Community service requirements



**There are three community service expenditure requirements that a school must meet.**

1. A school must use at least 7% of its FWS federal allocation for an award year to pay the federal share of wages to students employed in community service jobs for that year.
2. In meeting the 7% community service requirement, one or more of the school's FWS students must be employed in a
  - reading tutoring project that employs one or more FWS students as reading tutors for children who are preschool age or are in elementary school; or
  - family literacy project that employs one or more FWS students in family literacy activities.

A school that requests and receives supplemental FWS funds must spend 100% of the supplemental amount in community service positions.



**A school that fails to meet any of these FWS community service requirements will be required to return FWS federal funds in an amount that represents the difference between the amount a school should have spent for community service and the amount it actually spent.** Further, a school that is not compliant with the FWS community service requirements may be subject to a Limitation, Suspension, and Termination (L, S, and T) proceeding, through which the school could be denied future participation in the FWS Program and possibly other FSA programs and/or subject to a substantial fine.

A school may request a waiver of either of these requirements by the annual deadline. The school should include detailed information that demonstrates that the requirement would cause a hardship for students at the school. See the section later in this chapter for more information on waivers.

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### Community Service

34 CFR 675.18(g)

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### Definition of community service

The definition of community service has been extended to include the field of emergency preparedness and response. HEOA 441(2)

Effective August 14, 2008.



\*Remember that in meeting the community service minimum requirement, one or more of the school's FWS students must be employed as a reading tutor for children in a reading tutoring project or performing family literacy activities in a family literacy project.

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### Grants for off-campus community service

The HEOA authorizes (but does not fund) grants to schools to supplement off-campus and community service employment. Grant funds would be used to recruit and compensate students performing off-campus community service (including compensation for time spent in training and for travel directly related to the community service). This program is not currently funded and cannot be implemented until funding is provided by Congress.

HEOA section 446

HEA section 447(b)

## Waivers of the community service and/or math and reading tutor requirements

### FWS community service waiver request

Electronic Announcement March 28, 2016

#### TIP

#### Deadline Dates

The Campus-Based Deadline Dates for the upcoming year can be found on the IFAP web page .  
[https://ifap.ed.gov/ifap/cbp\\_deadlines.jsp](https://ifap.ed.gov/ifap/cbp_deadlines.jsp)

A school may request a waiver of the community service and tutor requirements; the request must be electronically using the eCampus Based System (eCB) at the “Community Service Waiver” link at the top of the “Setup-Change Years/Schools” page. The fact that it may be difficult for the school to comply with these requirements is not, in and of itself, a basis for granting a waiver.

#### Clarification

To request a waiver for an award year, a school must submit a waiver request to the Department electronically via the eCB website at the “Community Service Waiver” link at the top of the “Setup-change Years/Schools” page. The school must also provide any supporting information or documentation by the established deadline date of that award year. The school’s waiver request must specify whether the school is requesting a waiver of the seven percent community service requirement, the reading tutors of children or family literacy project requirement, or both. The waiver must also include detailed information to demonstrate that complying with the requirement(s) would cause hardship for the school’s students. If a school has any questions about the community service expenditure requirements or waiver procedures, the school can contact the Department’s Campus-Based Call Center at 877-801-7168. Schools will be reminded about the waiver process through communications posted to the IFAP website.

See the graphic *Community Service Waivers* later in this chapter for more information.

## Effect of reallocation on minimum community service expenditures

When a school receives reallocated FWS funds, the minimum amount of FWS federal funds the school must expend on community service jobs for an award year is one of the following two amounts, whichever is greater:

- ♦ 7% of the sum of
  - your original FWS allocation, plus
  - your FWS supplemental allocation (if any), minus
  - any amount of FWS federal funds you returned through the reallocation process or earlier

OR

- ♦ 100% of your FWS supplemental allocation (if any).

## COMMUNITY SERVICE JOBS

Community Service jobs can be either on campus or off campus. *Nonprofit agencies* can qualify as community service employers if the work performed meets the definition of community services in the regulations. See the list of programs and activities that are recognized as appropriate work in community services in the graphic the end of this section. (Note that *private, for-profit organizations* do not qualify as employers for community service under the FWS Program.)

Employing an FWS student in these positions serves the needs of the community and gives the FWS student an enriching and rewarding experience.

**Schools must inform students of FWS community service opportunities available in the local community.** The Program Participation Agreement also requires your school to work with local nonprofit, governmental, and community-based organizations to identify community service opportunities, including those that assist supportive services to students with disabilities. Schools should promote these opportunities to students by notifying each student individually or via general means such as campus websites or publications.

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### More information

- Community service DCL CB-07-08
- Family literacy project DCL CB-98-6
- Community Service 34 CFR 675.18(g)

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### Civics, emergency response, and other teaching projects

In meeting the 7% community service expenditure requirement, students may be employed to perform civic education and participation activities in projects that teach civics in schools, raise awareness of government functions or resources, or increase civic participation.

To the extent practicable, a school must

- give priority to the employment of students in projects that educate or train the public about evacuation, emergency response, and injury prevention strategies relating to natural disasters, acts of terrorism, and other emergency situations; and
- ensure that the students receive appropriate training to carry out the educational services required.

34 CFR 675.18 (g)(4)(i)



## Community Service Opportunities, Youth Corps Programs, Other Programs, and Activities

The definition of community services for FWS includes work in “service opportunities” or “youth corps,” as defined in Section 101 of the National and Community Service Act of 1990:

**Service opportunity.** A program or project, including a service learning program or project, that enables students or out-of-school youth to perform meaningful and constructive service in agencies, institutions, and situations where the application of human talent and dedication may help meet human, educational, linguistic, and environmental community needs, especially those relating to poverty.

**Youth corps program.** A program, such as a conservation corps or youth service program, that offers full-time, productive work (to be financed through stipends) with visible community benefits in a natural resource or human service setting and that gives participants a mix of work experience, basic and life skills, education, training, and support services.

The definition of “community services” also includes service in agencies, institutions, and activities that are designated in Section 124(a) of the National and Community Service Act of 1990. These include the following conservation corps and human services corps programs, as well as programs that encompass the focus and services of both.

### Conservation corps programs

Conservation corps programs that focus on

- conservation, rehabilitation, and the improvement of wildlife habitat, rangelands, parks, and recreation areas;
- urban and rural revitalization, historical and site preservation, and reforestation of both urban and rural areas;
- fish culture, wildlife habitat maintenance and improvement, and other fishery assistance;
- road and trail maintenance and improvement;
- erosion, flood, drought, and storm damage assistance and controls;
- stream, lake, waterfront harbor, and port improvement;
- wetlands protection and pollution control;
- insect, disease, rodent, and fire prevention and control;
- the improvement of abandoned railroad beds and rights-of-way;
- energy conservation projects, renewable resource enhancement, and recovery of biomass;
- reclamation and improvement of strip-mined land;
- forestry, nursery, and cultural operations; and
- making public facilities accessible to individuals with disabilities.

### Human services corps programs

Human services corps programs that include service in

- state, local, and regional government agencies;
- nursing homes, hospices, senior centers, hospitals, local libraries, parks, recreational facilities, child and adult daycare centers, programs serving individuals with disabilities, and schools;
- law enforcement agencies and penal and probation systems;
- private nonprofit organizations that primarily focus on social service such as community action agencies;
- activities that focus on the rehabilitation or improvement of public facilities; neighborhood improvements; literacy training that benefits educationally disadvantaged individuals;
- weatherization of and basic repairs to low-income housing, including housing occupied by older adults; energy conservation (including solar energy techniques); removal of architectural barriers to access by individuals with disabilities to public facilities; activities that focus on drug and alcohol abuse education, prevention, and treatment; and conservation, maintenance, or restoration of natural resources on publicly held lands; and
- any other nonpartisan civic activities and services that the commission determines to be of a substantial social benefit in meeting unmet human, educational, or environmental needs (particularly needs related to poverty) in the community where volunteer service is to be performed.

See 34 CFR 675.2 Definitions; “Community Service”



## Community Service Waivers

E-Announcement March 28, 2016  
HEA Sec 443(b)(2)(A)  
34 CFR 675.18(g)

The Department, in the past, has approved a limited number of waivers of the community service requirements for schools that have demonstrated that enforcing these requirements would have caused a hardship for their students. Examples of waiver requests include the following:

### Case Study #1—Small FWS allocation

The school had a very small FWS allocation. The supporting information submitted by the school noted that seven percent of the school's allocation only provided enough funds for a student to work for a short period of time. Therefore, the school was unable to find placement for a student in community service.

### Case Study #2—Rural area

The school was in a rural area that was located far away from the types of organizations that would normally provide community service jobs. The school provided information that showed its students lacked the means of transportation to get to the town where the community jobs were located. In a similar waiver request in which transportation did exist, a school provided documentation that showed that the transportation costs were extremely high for the students.

### Case Study #3—Specialized program

The school offered only a single program of specialized study that required its students to participate in extensive curriculum and classroom workloads. The school provided information that demonstrated this specialized educational program prevented the students from performing community service jobs at the time those work opportunities were available.

These examples are not the only circumstances that may result in approval of a waiver request; however, you must always submit a justification of your request.

The Department posts an annual announcement to the IFAP website describing the electronic waiver process and giving the deadline date for that year.

A school must submit its waiver request to the Department electronically via the eCampus-Based (eCB) website at **[cbfisap.ed.gov/ecb/CBSWebApp/](http://cbfisap.ed.gov/ecb/CBSWebApp/)**.

For more detail, see the E-Announcement referenced at the beginning of this section.

## Establishing FWS Community Service Jobs

In contacting potential community service agencies, schools should place a priority on jobs that will meet the human, educational, environmental, and public safety needs of low-income individuals.\*

### Step #1: Identify Potential Jobs and Employers

#### Identify jobs

- Brainstorm types of jobs that would meet the community service requirement. What jobs do your students currently hold, on campus or off campus, that meet the community service definition?
- Communicate the community service requirements to your school's student employment office.
- Identify employers.
- Which local community service organizations might be interested in employing your FWS students?
- Contact local nonprofit, government, and community-based organizations to assess their needs and determine what interest exists for employing FWS students.

#### Talk to colleagues

Talk to colleagues at other schools to get ideas on implementing, locating, and developing the community service jobs.

### Step #2: Research Your Students' Interest in Community Service

Research your FWS students' degrees or certificate programs, interests, and skills to determine which recipients might find community service jobs appealing.

### Step #3: Promote Community Service Jobs

- Devise a plan to market community services under the FWS Program to eligible student employers and the community.
- Obtain a listing of potential community service agencies.
- Ask to be a presenter at various organizations' meetings.
- Engage in networking activities.
- Hold and attend job fairs.
- Host a financial aid office "open house."
- Visit local agencies.

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\* There is no formal definition of "low-income individuals" for this purpose, and there is no statutory requirement that a particular number or proportion of the individuals must be low-income persons. Some examples of jobs that provide services to persons in the community who may not necessarily be low-income individuals are jobs that provide supportive services to individuals with disabilities or that prevent or control crime in the community.

### **What Is a Family Literacy Project? How Are Family Literacy Activities Defined?**

Research shows that children whose parents work with them on literacy skills during early childhood have a better chance of reading well and independently. The family literacy concept recognizes the family as an institution for education and learning and the role of parents as their children's first teachers.

A family literacy program integrates four components. It provides

- literacy or pre-literacy education to children,
- literacy training for parents or other caregivers of children in the program,
- a means of equipping parents or other caregivers with the skills needed to partner with their children in learning, and
- literacy activities between parents or other caregivers and their children.

This definition is consistent with the Even Start and Head Start definitions of Family Literacy programs.

The Department does not define "family literacy activities" for purposes of the community service expenditure requirement or the waiver of the institutional share requirement. The Department gives schools reasonable flexibility to determine the job description and duties for an FWS student performing family literacy activities.

**Family literacy activities are not limited to just tutoring positions.** For example, family literacy activities may include training tutors, performing administrative tasks such as coordinating the tutors, or working as an instructional aide who prepares the materials for the project. However, it would not be reasonable to include janitorial or building repair jobs as family literacy activities.

### Indirect Services

The Department does not intend to indicate that certain activities are more important than others or that only jobs that have direct contact with community members are acceptable. For example, an FWS student working for the Meals on Wheels Program is performing community service when conducting research on where the program is needed, when recruiting or coordinating volunteers to distribute the meals, or when preparing meals for the program, despite having no contact with the community residents. Such indirect services are very important in meeting community needs.

## Community service jobs eligible for FWS

*Community services* are defined as services that are identified by an institution of higher education through formal or informal consultation with local nonprofit, government, and community-based organizations, as designed to improve the quality of life for community residents, particularly low-income individuals, or to solve particular problems related to their needs. These services include

- ◆ such fields as health care, child care, literacy training, education (including tutorial services), welfare, social services, transportation, housing and neighborhood improvement, public safety, crime prevention and control, recreation, rural development, community improvement, and emergency preparedness and response;
- ◆ work in service opportunities or youth corps under AmeriCorps, and service in the agencies, institutions, and activities described later;
- ◆ support services for students with disabilities (including students with disabilities who are enrolled at the school<sup>1</sup>); and
- ◆ activities in which an FWS student serves as a mentor for such purposes as tutoring (see *Employing FWS students as tutors* later in this chapter), supporting educational and recreational activities, and counseling, including career counseling.

To be considered employed in a community service job for FWS purposes, an FWS student does not have to provide a “direct” service. The student must provide services that are designed to improve the quality of life for community residents or to solve particular problems related to those residents’ needs. A school may use its discretion to determine what jobs provide service to the community, within the guidelines provided by the statute, regulations, and the Department. Note that there is a model need assessment at the end of this chapter that can be used with community service agencies.

A university or college is not considered a community for the purposes of the FWS community service requirements. On-campus jobs can meet the definition of community services, provided the services are designed to improve the quality of life for community residents, or to solve problems related to their needs and that they meet the regulatory and statutory provisions pertaining to the applicable FWS employment limitations and conditions.

1. This is the only statutory exception to the requirement that community service be open and accessible to the community.

### *Employing FWS students as tutors*

In an effort to increase the reading and math proficiency of our nation's children, tutoring in these areas has become a federal priority. **The FWS regulations authorize a 100% federal share of FWS wages earned by a student who is employed to perform civic education and participation activities, such as**

**TIP**

- ♦ as a reading tutor for preschool-age through elementary school-age children;
- ♦ as a mathematics tutor for children in elementary school through ninth grade; or
- ♦ performing family literacy activities in a family literacy project that provides services to families with preschool-age children or children who are in elementary school.

When employing students as reading tutors, schools must, to the maximum extent possible, give placement priority to schools that are participating in a reading reform project that: (1) is designed to train teachers how to teach reading on the basis of scientific research on reading; and (2) is funded under the Elementary and Secondary Education Act of 1965, as amended. **The school must further ensure that reading tutors receive training from the employing school in the instructional practices used by the school.**

**TIP**

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**Reading and math tutors**

DCL CB-97-12, July 1999

DCL CB-99-12, July 1997

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**Reading tutors**

34 CFR 675.18(g)(3)

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**Reading and math tutors**

Dear Colleague Letter CB-97-12, dated July 1999

Dear Partner Letter CB-99-12, dated July 1997

## Employing FWS Students as Tutors

### What are the requirements for a “reading tutor” or “math tutor?”

The Department does not define “tutor” for the FWS Program. This gives schools flexibility in determining the job description and duties of a tutor. For example, a reading tutor could be an FWS student who reads to a group of preschoolers in a public library.

An FWS student employed as a tutor does not have to meet certain statutory (for reading tutors) or regulatory (for reading and mathematics tutors) educational standards or qualifications for the school to receive an institutional-share waiver. However, an FWS reading or math tutor must have adequate reading or math skills, as appropriate, and the Department strongly recommends that the tutors be well trained before they tutor.

The Department does not require background checks of FWS tutors. However, some state and local jurisdictions may require such checks. The requirements will vary according to the agency or organization involved.

### What is a preschool-age child?

A preschool-age child is a child from infancy to the age at which his or her state provides elementary education.

### What is the definition of an elementary school?

The definition of an elementary school varies from state to state. Because the Department does not wish to interfere with a state’s determination of what constitutes children who are in elementary school, we will not provide guidance on the maximum grade level for elementary school for purposes of the institutional-share waiver for tutoring.

### In what setting must tutoring take place?

Tutoring may be one-on-one or in a group. Tutoring sessions can take place in a school setting or another location, such as a public library or community center. Tutoring sessions can be held during regular school hours, after school, on weekends, or in the summer.

### Can FWS students tutor children in parochial schools?

An FWS student can tutor a child in a parochial school under certain conditions:

- The parochial school must be classified as a private, nonprofit school by the Internal Revenue Service or a state taxing body.
- The work may not involve constructing, operating, or maintaining any part of a building used for religious worship or sectarian instruction.
- The FWS tutor may not use religious material to tutor the child.

### Should tutors be trained?

The Department strongly recommends that the tutors be well trained before they tutor. When an FWS student receives training from a specialist or expert for sufficient duration and intensity, he or she is more likely to be successful with the child he or she is tutoring. Tutor training should emphasize the importance of the tutor’s communication with the regular classroom teacher to maximize effectiveness. The amount and type of training will often vary, depending on the needs of the child being tutored and the subject being studied. (See *Chapter 1* for information on using the administrative cost allowance to pay for the cost of training tutors.)

**Can students be paid while in training?**

Under limited circumstances, an FWS tutor can receive FWS wages while being trained, and these wages can qualify for a waiver of the institutional share. This training period must be only for a reasonable and limited length of time. The Department would not consider a training period of an academic term to be reasonable. The Department would consider a reasonable training period to be one that occurs before the student begins tutoring and that does not exceed approximately 20 hours. A school may not pay an FWS student to take an academic course the school developed to provide classroom training on tutoring children. An FWS student may take such a course as long as he or she is not paid for taking the course (34 CFR 675.18(h)).

**Can students be paid during preparation and evaluation activities?**

The preparation time and evaluation time worked by an FWS tutor qualify for a 100% federal share as long as the time spent for this purpose is reasonable. For example, the Department would consider attending evaluation and preparation meetings once a week for approximately one hour to be reasonable. The Department wants to give some flexibility because of the value of evaluation and preparation time. However, the goal is to spend funds for FWS students to interact with the children in family literacy programs, not for other activities.

**Will a tutoring job always satisfy the community service requirement?**

An FWS tutor job might qualify for a waiver of the institutional share (100% federal share) but not qualify as part of the 7% community service requirement. If, for example, a postsecondary school employs FWS students to tutor young children in its daycare center and the center is not open and accessible to the community, the job would qualify for the waiver but would not qualify as part of the 7% community service requirement.

**What if the FWS student is training tutors, performing related administrative tasks, or works another FWS job?**

The wages of an FWS student who is training tutors or who is performing administrative tasks related to supporting other people who are actually providing the reading or mathematics tutoring do not qualify for a federal share of up to 100%; rather, an institutional share is required.

Remember that it is the FWS reading or mathematics tutor job, not the student working in the job, that qualifies for the institutional-share waiver. Thus, an FWS student who is working another FWS job in addition to the tutor job can be paid with 100% federal funds only for the time he or she is working as a tutor, not for time spent on the other job. If, for example, an FWS student spends only half of his or her time working as a reading tutor (including preparation and evaluation time) and the other half on non-tutoring tasks, the student may be paid 100% federal funds only for half the time, and the other half must be paid with a maximum of 75% federal funds and a minimum of 25% nonfederal funds.

**How can my school start placing FWS students as tutors?**

Your school may construct its own reading tutor program or join existing community programs.

You may use the Job Location and Development (JLD) Program to locate or develop jobs for FWS students as tutors of children. However, you may not use JLD funds exclusively for this purpose because you would be in violation of the JLD statutory requirement to expand off-campus jobs for currently enrolled students who want jobs regardless of their financial need.

## WORK ON CAMPUS (SCHOOL IS EMPLOYER)

### On-campus employment

34 CFR 675.21

#### Employment in a Foreign Country

Normally, employment in a foreign country is not permissible under the law. However, a school with an additional location in a foreign country may employ students under FWS if the branch has its own facilities, administrative staff, and faculty. Students may also be employed by a U.S. government facility such as an embassy or a military base. A student may not be employed for a nonprofit organization in a foreign country.

A student may be employed on campus at any type of postsecondary institution, including at a proprietary school. The FWS regulations define institution of higher education as a public or private nonprofit institution, a proprietary institution or a postsecondary vocational institution.

A school, other than a proprietary school, may employ a student to work for the school itself, including certain services for which the school may contract, such as food service, cleaning, maintenance, and security. Work for the school's contractors is acceptable as long as the contract specifies the number of students to be employed and specifies that the school selects the students and determines their pay rates.

A proprietary school also may employ a student to work for the school itself with certain restrictions (discussed under "Work for a Proprietary School").

At any type of postsecondary institution, including proprietary schools, an FWS student may be assigned to assist a professor if the student is doing work the school would normally support under its own employment program. Having a student serve as a research assistant to a professor is appropriate, as long as the work is in line with the professor's official duties and is considered work for the school itself.



## WORK FOR A PROPRIETARY SCHOOL

A proprietary school may employ a student to work for the school itself, but only in jobs that meet certain criteria.

If the jobs are in community service, they may be either on or off campus. **Students employed by a proprietary school and performing community service do not have to provide student services that are directly related to their education.**

If the jobs are not in community service, they must be on campus and must provide student services that are directly related to the FWS student's training or education. To the maximum extent possible, the job must complement and reinforce the FWS student's educational program or vocational goals. The job *may not* involve soliciting potential students to enroll at the proprietary school.

**TIP** In general, jobs that primarily benefit the proprietary school are not student services. For example, jobs in facility maintenance or cleaning are never student services. See the sidebar for examples of jobs that do not provide student services. Again, this list is not exhaustive. Jobs in the admissions or recruitment area of a school are not acceptable student services because such jobs are considered to involve soliciting potential students to enroll at the school.

The noncommunity service job must provide student services that are directly related to the FWS student's training or education. This does not mean that the FWS student must be enrolled in an academic program for that field. Instead, it means that the FWS student must be receiving work experiences that are directly applicable to the skills needed for his or her career path. For example, an FWS student enrolled in an air-conditioning repair program wants to work in the school's library. Although the student is not pursuing a career as a librarian, the student would still be able to work in the library. The job is directly related to his or her training because he or she is learning customer service and basic office functions that are applicable to work in an air-conditioning repair shop or dealership. Similarly, a job in another student service office such as financial aid, registrar, and job placement would also be considered directly related to the FWS student's training.

### Proprietary school employment

34 CFR 675.21(b)

A proprietary school also may employ a student to work for the school itself with certain restrictions (see "Work for a Proprietary School" in this section).

#### Student Services

Student services may include

- jobs in financial aid,
- jobs in a library,
- peer guidance counseling,
- job placement,
- assisting an instructor with curriculum-related activities (e.g., teaching assistant),
- security,
- social and health services, and
- tutoring.

Student services never include

- facility maintenance,
- cleaning,
- purchasing, and
- public relations

34 CFR 675.2(b)

Student services are services that are offered to students. Students are persons enrolled or accepted for enrollment at the school. An FWS student who provides services only to the school's former students is not providing student services because the services are not offered to currently enrolled students. However, an FWS student who provides services to both current students and former students is providing student services because the services are offered to currently enrolled students. For example, an FWS student provides job placement assistance to current students and alumni of the school. The FWS student is considered to be providing student services because his or her services are offered to current students and alumni.

Student services do not have to be direct services or involve personal interaction with other students. Services are considered student services if the services provide a benefit either directly or indirectly to students. For example, an FWS student may work in assisting an instructor in the lab or in other work related to the instructor's official academic duties at the school. See the sidebar on the previous page for an expanded list of examples of jobs that provide student services. The list is not exhaustive. The fact that a job has some operational functions does not preclude it from being an acceptable FWS job as long as it furnishes student services.

## WORK OFF CAMPUS

A postsecondary school (including a proprietary school) may use FWS funds to pay a portion of the wages of a student who is employed off campus by certain nonprofit agencies or private employers.

### *Work off campus for nonprofit or government agency*

#### TIP

If a student is employed off campus by a federal, state, or local public agency or by a private nonprofit organization, providing jobs related to the student's academic or vocational goals is encouraged but not required.

A private nonprofit organization is one in which no part of the net earnings of the agency benefits any private shareholder or individual. An organization must be incorporated as nonprofit under federal or state law. A school classified as a tax-exempt organization by either the federal or state Internal Revenue Service meets this requirement. Examples of private nonprofit organizations generally include hospitals, day care centers, halfway houses, crisis centers, and summer camps.

### *Work must be “in the public interest”*

Work performed off campus *must be in the public interest*. Work in the public interest is defined as work performed for the welfare of the nation or community rather than work performed for a particular interest or group.

Work is not “in the public interest” if it

- ♦ primarily benefits the members of an organization that has membership limits, such as a credit union, a fraternal or religious order, or a cooperative;
- ♦ involves any partisan or nonpartisan political activity or is associated with a faction in an election for public or party office;
- ♦ is for an elected official unless the official is responsible for the **regular** administration of federal, state, or local government;
- ♦ is work as a political aide for any elected official;
- ♦ takes into account a student's political support or party affiliation in hiring him or her; or
- ♦ involves lobbying on the federal, state, or local level.

#### Off-campus agreements

34 CFR 675.20(b)

#### Employment by a federal, state, or local public agency, or a private nonprofit organization

34 CFR 675.23

#### Work in the Public Interest: Examples

In deciding whether work is in the public interest, schools must consider the nature of the work as well as that of the organization. For example, a private nonprofit civic club may employ a student if the student's work is for the club's community drive to aid handicapped children. If the student's work is confined to the internal interests of the club, such as a campaign for membership, the work would benefit a particular group and would not be in the public interest. As another example, a student may work for a private nonprofit membership organization, such as a golf club or swimming pool, if the general public may use the organization's facilities on the same basis as its members. If only members may use the facilities, FWS employment is not in the public interest.

**Political activity, whether partisan or nonpartisan, does not qualify as work in the public interest.** For example, a student is not considered to be working in the public interest if working at voting polls—even if he or she only checks off the names of those who came to vote and does not pass out flyers supporting a particular candidate. Also, a student is not considered to be working in the public interest if working to support an independent candidate. Another example of nonpartisan political activity is work for a city political debate.

**Working for an elected official as a political aide also does not qualify as work in the public interest.** For example, a student could not represent a member of Congress on a committee. However, a student could be assigned to the staff of a standing committee of a legislative body or could work on a special committee, as long as the student would be selected on a nonpartisan basis and the work performed would be nonpartisan.

**TIP**

Under certain circumstances, work for an elected official responsible for the *regular administration* of federal, state, or local government may be considered to be in the public interest. “Regular administration” means the official is directly responsible for administering a particular function. Such a person would not create, abolish, or fund any programs but would run them. Working for a sheriff would be acceptable, as would working for an elected judge (because he or she has direct responsibility for the judicial system).

As stated previously, any *political* activity would not be acceptable—raising funds for the official’s re-election, for example. An FWS position that involves lobbying at the federal, state, or local level is not work in the public interest. FWS students are prohibited from working for the U.S. Department of Education due to the potential appearance of conflict of interest.

### ***Work off campus for private for-profit companies***

Schools also may enter into agreements with private for-profit companies to provide off-campus jobs for students; however, these jobs must be academically relevant, to the maximum extent practicable, to the student’s program of study. (A student studying for a business administration degree could work in a bank handling customer transactions, for example.) Private for-profit organizations do not qualify as employers for community service under the FWS Program.

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#### **Work for private for-profits**

34 CFR 675.23

## *Employment in apprenticeships through the Federal Work-Study Program*

### **Clarification**

A school may use its Federal Work-Study (FWS) Program funds to pay the training wages for otherwise eligible FWS students employed as apprentices, even when the apprenticeship is not part of the student's eligible academic program.

### **Apprenticeships and Federal Work Study**

DCL ID: GEN-14-22

The Department allocates FWS Federal funds to institutions under a statutory formula that requires an institutional match. While the Federal share of an FWS student's wages generally may not exceed 75% for a student employed by the school or by a public or nonprofit agency, the Federal share may not exceed 50% for a student employed by a private for-profit entity. Moreover, a school may only use a maximum of 25% of its total FWS Federal allocation to pay the wages of FWS students employed by private for-profit organizations. Any student enrolled at a postsecondary institution participating in the FWS program is eligible for FWS employment if the student meets all Federal student aid eligibility requirements, including having financial need.

Under certain conditions, and at the school's discretion, employment under the FWS Program may include employment in apprenticeships. If a school chooses to include one or more apprenticeships as part of its FWS Program, selected FWS eligible students may receive FWS wages for employment in the apprenticeship regardless of whether or not the apprenticeship comprises part of the student's educational program. Finally, FWS wages earned as part of apprenticeships are not used in determining the student's eligibility for Federal student aid in the following year.

A job under the FWS Program must be suitable to the scheduling and other needs of the student and must, to the maximum extent practicable, complement and reinforce the educational programs or vocational goals of the student. The wage rate and other conditions of FWS employment, including in an apprenticeship program, are determined by, among other things, minimum wage rules, the type of work performed, the geographic region, the student's proficiency, and any applicable Federal, state, or local law.

Financial aid administrators at postsecondary institutions are responsible for ensuring compliance with Federal laws and regulations regarding FWS employment, including employment in apprenticeship programs. Apprenticeship providers must coordinate with postsecondary institutions to ensure compliance with all relevant requirements.

**Please review DCL GEN-14-42, December 18, 2014, for a complete discussion of Apprenticeships and the Federal Student Aid Programs.**

### Off-campus agreements

If your school would like an off-campus organization to employ FWS students, your school must enter into a written agreement—a contract—with the off-campus organization. A written agreement is required with the off-campus organization even if your school is considered the employer of the FWS student. The school must make sure the off-campus organization is a reliable agency with professional direction and staff and that the work to be performed is consistent with the purpose of the FWS Program. Note that there is a model off-campus agreement at the end of this chapter. The model need not be followed exactly but serves as a guide.



The agreement should specify what share of student compensation and other costs will be paid by the off-campus organization. For-profit organizations **must** pay the nonfederal share of student earnings. Any off-campus organization **may** pay

- ♦ the nonfederal share of student earnings;
- ♦ required employer costs, such as the employer's share of Social Security or workers' compensation; and
- ♦ the school's administrative costs not already paid from its Administrative Cost Allowance (ACA).

The agreement sets forth the FWS work conditions and establishes whether the school or the off-campus organization will be the employer for such purposes as hiring, firing, and paying the student. The employer is generally considered to be the entity that will control and direct the work of the FWS students—supervising them at the work site, regulating their hours of work, and generally ensuring that they perform their duties properly. However, the school is ultimately responsible for making sure that payment for work performed is properly documented and that each student's work is properly supervised.

The agreement should define whether the off-campus organization will assume payroll responsibility and bill the school for the federal share of the students' wages, or whether the school will pay the students and bill the off-campus organization for its contribution. The school must make up any payments the off-campus organization does not make. **It is the school's responsibility to ensure that FWS payments are properly documented, even if the off-campus organization does the payroll.** To fulfill that responsibility, the school must keep copies of time sheets and payroll vouchers and keep evidence that the students were actually paid (usually copies of the canceled checks or receipts signed by the students).



The school is also responsible for ensuring that each student's work is properly supervised. School officials should periodically visit each off-campus organization with which they have an off-campus agreement to determine whether students are doing appropriate work and whether the terms of the agreement are being fulfilled.

The agreement must state whether the school or off-campus organization is liable for any on-the-job injuries to the student. The employer is not automatically liable. Federal FWS funds cannot be used to pay an injured student's hospital expenses.

In determining whether to continue an off-campus agreement, many schools have found it helpful to require that students submit a formal evaluation of their work experience at the end of the assignment. The school may also use the evaluation to help off-campus agencies improve their work programs.

Staff members of the off-campus organization must become acquainted with a school's financial aid and student employment programs to better understand the school's educational objectives. The school must supply the off-campus organization with this information.

If a school receives more money under an employment agreement with an off-campus agency than the sum of

- ♦ required employer costs,
- ♦ the school's nonfederal share, and
- ♦ any share of administrative costs the employer agreed to pay,

the school must handle the excess in one of three ways:

1. Use it to reduce the federal share on a dollar-for-dollar basis.
2. Hold it in trust for off-campus employment during the next award year.
3. Refund it to the off-campus employer.

### *Providing the federal share and billing for the employer's share*

If an off-campus agreement specifies that the off-campus organization will assume payroll responsibility and bill the school for the federal share of the students' wages, the school will be sending federal funds to the off-campus organization. **The agreement with the school should include the procedures the off-campus organization must follow and the documents it must provide in order to be reimbursed for the federal portion of a student's salary.**

**TIP**

Your school should have written policies that describe the aforementioned procedures, the documentation the off-campus organization must provide, and how the reimbursement process will be handled. **Your accounting entries must completely track the payment of the federal share to the off-campus organization and must be backed by the original documents specified in your policies. Your school is liable for federal funds expended for which it does not have proper records or documentation.**



If your agreement with the off-campus organization specifies that the school will pay the students and bill the off-campus organization for its share, the agreement should include the steps the school will take, the documentation the school will provide, and the time frame within which the off-campus employer will pay the school its share of the FWS compensation.

Your school should have a system for ensuring that off-campus employers are billed for their share of FWS wages in a timely manner. In addition, you should have a system for following up if bills remain unpaid after a reasonable period of time. Your accounting entries must completely track the billing and receipt of the employer's share and must be backed by any original documents required (e.g., detail of the wages paid to students and calculation of the employer's share).

## JOB LOCATION AND DEVELOPMENT PROGRAM

### JLD Program

34 CFR 675 Subpart B

#### JLD purpose and description

34 CFR 675.31 & 34 CFR 675.32

The Job Location and Development (JLD) Program is a part of the FWS Program. An institution is allowed to use part of the federal funds it receives under the FWS Program to establish or expand a JLD Program.

The JLD Program locates and develops off-campus job opportunities for students who are currently enrolled in eligible institutions of higher education and who want jobs regardless of financial need. This means that jobs may be located and developed under the JLD Program for FWS and non-FWS eligible students.

Under the JLD Program, your school must locate and develop off-campus jobs that are suitable to the scheduling and other needs of the employed student and must, to the maximum extent practicable, complement and reinforce the educational program or vocational goal of the student.

JLD jobs may be part-time or full-time, for either a for-profit or non-profit employer.

### JLD and Community Service

The JLD Program encourages students to participate in community service activities. Your school must inform all eligible students of the opportunity to perform community services and must develop and make available information about community service opportunities. The JLD Program uses the same definition of community services that the FWS Program employs. However, the JLD Program does not have a specific minimum community service requirement, as does the FWS Program.

### JLD Program participation

A school that participates in the FWS Program is also eligible to participate in the JLD Program. A school that has an executed Program Participation Agreement (PPA) for the FWS Program may participate in the JLD Program without any prior contact with the Department and without any revision to its PPA. Under the PPA, the school agrees to administer the JLD Program according to the appropriate statutory and regulatory provisions.

If the Department terminates or suspends a school's eligibility to participate in the FWS Program, that action also applies to the school's JLD Program.

**TIP**



## Student eligibility



**Any student employed in a job developed under the JLD Program must be currently enrolled at the school placing him or her in a job.** A school may place in JLD jobs both students who do not meet FWS student eligibility criteria and those who do meet those criteria. However, using JLD funds to find jobs only for FWS students would not satisfy the program purpose of expanding off-campus jobs for students who want jobs regardless of financial need.

## Use of FWS allocation for JLD Program

When establishing or expanding a program to locate and develop off-campus jobs, including community service jobs, a school may use up to the lesser of

- ♦ 10% of its FWS allocation and reallocation, or
- ♦ \$75,000.

## Use of JLD Program funds

Your school may use federal JLD funds to pay for the cost of establishing and administering the JLD Program. You may not use JLD funds to

- ♦ pay students whose jobs were located and developed through the JLD Program;
- ♦ locate and develop jobs at your school or other eligible schools;
- ♦ place students upon graduation; and
- ♦ displace employees or impair existing service contracts.

A school is expected to generate total student wages exceeding the total amount of the federal funds spent under JLD.

## Federal share limitation



**You may use federal FWS funds to pay up to 80% of the allowable costs in the JLD program (listed under *Allowable program costs*). Your school must provide the remaining 20% of allowable costs either in cash or in services. This requirement, unlike the institutional-share requirement for FWS earnings, cannot be waived.**

Your school's 20% share may be either (1) 20% of each allowable cost, or (2) varying percentages of allowable costs, as long as its total expenditures of institutional funds and/or provision of services equals at least 20% of the total allowable costs for the JLD Program.



**You must maintain records that indicate the amount and sources of your school's matching share. Procedures and records requirements for JLD are the same as those for all Campus-Based Programs.**

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### Use of JLD funds

34 CFR 675.35(b)(3)

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### Federal and institutional shares

34 CFR 675.33(b) & (c)

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### Prohibition on using funds on campus

34 CFR 675.35(a)(3)(i)

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### Maximum federal funds for JLD Programs

34 CFR 675.32

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### JLD limits

Effective August 14, 2008, the amount of FWS funds institutions of higher education may use for the Job Location and Development Program increases to not more than 10% or \$75,000 of their FWS allocations.

HEOA section 445

HEA section 445(a)(1)

Effective date: August 14, 2008

## Allowable program costs

### Allowable costs

34 CFR 675.33(a)

#### Counting an employee's salary toward a school's institutional match

The portion of an employee's salary earned while performing activities in the JLD program may be considered part of the school's required institutional match. The amount of the employee's salary a school can apply toward its institutional match depends on the salary of the employee and how much time he or she spends in developing qualifying jobs.

For example, if the employee's salary were \$50,000 and he or she spent one out of five days a week—or 20% of his or her time—in JLD activities, the maximum amount of the employee's salary that your school could apply toward your institutional match would be  $\$50,000 \times 20\% = \$10,000$ .

Note that in a program review, a school could be required to document

- the time the employee worked developing new off-campus jobs; and
- in any year in which the school spent a portion of its federal funds toward developing new off-campus (including community service) jobs for students, some new qualifying jobs were actually created.

Allowable costs of carrying out the JLD Program include

- ♦ staff salaries (and fringe benefits, if they are the same as those paid to other institutional employees in comparable positions and are not paid to a student employed through the FWS Program);
- ♦ travel expenses related to JLD activities;
- ♦ printing and mailing costs for brochures about the JLD Program;
- ♦ JLD telephone charges, including installation of a separate line for off-campus employers;
- ♦ JLD costs for supplies, equipment, and furniture;
- ♦ newspaper or other types of advertising that inform potential employers of the services JLD offers; and
- ♦ JLD workshops for students and employers.

Costs that are not allowable are costs related to purchasing, constructing, or altering the facilities that house a JLD project. Indirect administrative costs also are **not** allowable. One example of an indirect administrative cost is a portion of the salary of someone who is not directly involved in the program, such as the JLD director's supervisor. Other examples of indirect administrative costs are lighting, heating, or custodial costs incurred as part of the normal operations of the facility in which the JLD program is administered, such as the financial aid or placement offices.

## Students as staff in the JLD Program office

The prohibition against using JLD funds to locate and develop jobs at any school *does not* mean that your school is also prohibited from employing FWS and non-FWS students as staff in the JLD Program office. Your school may employ FWS and non-FWS students as staff in the JLD Program office as long as you do not use JLD funds to locate and develop these jobs. For example, your school could use the FWS Program to employ an FWS student as a staff member in the JLD Program office.

If your school places an FWS student as staff in the JLD Program office, there are some important points to note. The statute and the FWS regulations prohibit the use of any funds allocated under the FWS Program from being used to pay the institutional share of FWS compensation to its students. Hence, your school may not use federal JLD funds to pay the institutional share of FWS wages earned by an FWS student working as staff in the JLD Program office. Instead, you must use your school's funds to pay the institutional share of these wages.

**TIP**

### Multi-institutional JLD Programs

Your school may enter a written agreement with other eligible schools for those schools to establish and operate a JLD Program for its students. The agreement must designate the administrator of the program and must specify the terms, conditions, and performance standards of the program. **Each school that is part of the agreement retains responsibility for properly disbursing and accounting for the federal funds it contributes under the agreement.**

For example, each school must show that its own students have earned wages that exceed the amount of federal funds the school contributed to locate and develop those jobs. This fiscal information must be reported on each school's FISAP.

**TIP**

If your school uses federal funds to contract with another school, suitable performance standards must be part of that contract. Performance standards should reflect each school's philosophy, policies, and goals for the JLD Program. You may not develop performance standards, conditions, or terms that are inconsistent with the statute or regulations. In all cases, the performance standards should be clearly understandable, because they will be included in the formal written agreement that each party must observe as part of its responsibility within the particular arrangement.

### Use of JLD program funds to develop apprenticeship programs

**TIP**

A school is permitted to use a portion of the FWS funds it allocates for locating and developing off-campus job opportunities to identify apprenticeship opportunities and help employers develop jobs that are part of apprenticeship programs—regardless of whether the students are recipients of Federal student aid.

**Multi-institutional JLD programs**

34 CFR 675.34

**JLD Reporting on the FISAP**

If your school participates in the JLD Program during an award year, you must provide information about its JLD activities on the *Fiscal Operations Report and Application to Participate* (FISAP). You must report the total JLD expenditures, federal expenditures for JLD, institutional expenditures for JLD, number of students for whom jobs were located or developed, and total earnings for those students.

Your school **may not** include student staff jobs in the JLD office on the FISAP in the JLD section for reporting the count of students and the earnings of students for whom jobs were located or developed through the JLD Program. However, if your school used its own funds to pay the institutional share of wages for student staff jobs, you may count those funds in meeting the minimum 20% institutional-share requirement for the JLD Program.

## WORK-COLLEGES PROGRAM

### Work-Colleges Program

34 CFR 675 Subpart C

#### Purpose

34 CFR 675.43

#### Definition

34 CFR 675.41

#### Application to participate in the Work-Colleges Program

E-Announcement 02-01-2012

### Additional citations

The Higher Education Opportunity Act of 2008 introduced the term “work-learning-service” and revised the definition of “Work-Colleges.”

HEOA section 447

HEA section 448

The Work-Colleges Program is separate from the Federal Work Study Program and schools qualifying to participate in the Work-Colleges Program receive a separate Campus-Based funding allocation in addition to their Federal Work Study allocation.

The term “work college” is defined as an eligible school that

- ♦ has been a public or private nonprofit, four-year, degree-granting institution with a commitment to community service;
- ♦ has operated a *comprehensive work-learning-service program* as described below for at least two years;
- ♦ requires resident students, including at least one-half of all students who are enrolled on a full-time basis, to participate in a comprehensive work-learning-service program for at least five hours each week, or at least 80 hours during each period of enrollment (except summer school), unless the student is engaged in a school-organized or approved study abroad or externship program; and
- ♦ provides students participating in the comprehensive work-learning-service program with the opportunity to contribute to their education and to the welfare of the community as a whole.

A comprehensive student work-learning-service program is a student work-service program that

- ♦ is an integral and stated part of the institution’s educational philosophy and program;
- ♦ requires participation of all resident students for enrollment and graduation;
- ♦ includes learning objectives, evaluation, and a record of work performance as part of the student’s college record;
- ♦ provides programmatic leadership by college personnel at levels comparable to traditional academic programs;
- ♦ recognizes the educational role of work-learning-service supervisors; and
- ♦ includes consequences for nonperformance or failure in the work-learning-service program similar to the consequences for failure in the regular academic program.

### Comprehensive student work-learning-service program

42 U.S.C. 2756b [HEA Section 448]

34 CFR 675.41(b)

### **Additional Rules and Requirements for Work Colleges**

Work Colleges must provide a minimum dollar-for-dollar institutional match for all jobs in the Work-Colleges Program. Unlike the FWS Program, there are no exceptions to this matching requirement. This includes (but is not limited to) those exceptions for the FWS federal share discussed in Chapter 1. For example, a student performing reading tutor or family literacy activities under the Work-Colleges Program must still be paid with funds that are matched by the school on a dollar-for-dollar basis.

Work-Colleges may transfer up to 100% of their FWS authorization (initial plus supplemental) to their Work-College allocation. All FWS funds transferred to a Work-College Program must be matched dollar for dollar.

If a school transfers a portion or all of its FWS allocation into the Work-Colleges Program, the funds must be used for the purpose of carrying out the Work-Colleges Program to provide flexibility in strengthening the self-help-through work element.

A school may not transfer any of its Work-College allocation to the Federal Perkins Loan Program and the FSEOG Program. A school may carry forward and carry back up to 10% of its allocated Work-College funds.

Work Colleges receive an allocation under the FWS Program and another allocation under the Work-Colleges Program. The school must set up two accounting records, one for each of these programs. (This is true even though the allocation for the FWS Program and the Work-Colleges allocation are in one G5 account.) If a school transfers a portion or all of its FWS allocation into the Work-Colleges Program, the accounting records for each program must clearly show that transfer.

A school may only award and pay funds under the Work-Colleges Program to students who have a financial need. Students without financial need and students whose need has been met through other financial assistance must be paid with institutional funds only.

Under the Work-Colleges Program, there is no limit for JLD activities. However, when performing JLD activities under the Work-Colleges Program the match is always on a dollar-for-dollar basis.

Under both the FWS Program and the Work-Colleges Program, a school may receive the regular administrative cost allowance based on total compensation paid to eligible students (five percent for the first \$2,750,000 spent under campus-based, etc). However, in this case you may not claim funds twice by also using the separate Work-Colleges allowable administrative allowance to pay for the same costs.

In their administration of a Work-College Program, schools must adhere to all of the applicable FWS regulations in 34 CFR 675.

Allowable program costs

Allowable costs

34 CFR 675.45

Unallowable costs

34 CFR 675.46

Multi-institutional programs

34 CFR 675.47

Allocated program funds may be used to

- ♦ support the educational costs of students through self-help provided under the work-learning-service program within the limits of their demonstrated financial need;
- ♦ promote the work-learning-service experience as a tool of education and community service;
- ♦ carry out FWS and JLD program activities;
- ♦ administer, develop, and assess comprehensive work-learning-service programs;
- ♦ coordinate and carry out joint projects and activities to promote learning through work-service; and
- ♦ conduct a comprehensive longitudinal study of academic progress and academic and career outcomes.

# Model Off-Campus Agreement

*The paragraphs below are suggested as models for the development of a written agreement between a school and a federal, state, or local public agency or a private nonprofit organization that employs students who are attending that school and who are participating in the Federal Work-Study (FWS) Program. Institutions and agencies or organizations may devise additional or substitute paragraphs as long as they are not inconsistent with the statute or regulations.*

This agreement is entered into between \_\_\_\_\_, hereinafter known as the “Institution,” and \_\_\_\_\_, hereinafter known as the “Organization,” a (federal, state, or local public agency), (private nonprofit organization), (strike one), for the purpose of providing work to students eligible for the Federal Work-Study [FWS] Program.

Schedules to be attached to this agreement from time to time must be signed by an authorized official of the institution and the organization and must include the following:

1. brief descriptions of the work to be performed by students under this agreement;
2. the total number of students to be employed;
3. the hourly rates of pay; and
4. the average number of hours per week each student will work.

These schedules will also state the total length of time the project is expected to run, the total percent, if any, of student compensation that the organization will pay to the institution, and the total percent, if any, of the cost of employer’s payroll contribution to be borne by the organization. The institution will inform the organization of the maximum number of hours per week a student may work.

Students will be made available to the organization by the institution to perform specific work assignments. Students may be removed from work on a particular assignment or from the organization by the institution, either on its own initiative or at the request of the organization. The organization agrees that no student will be denied work or subjected to different treatment under this agreement on the grounds of race, color, national origin, or sex. It further agrees that it will comply with the provisions of the Civil Rights Act of 1964 (Pub. L. 88-352; 78 Stat. 252) and Title IX of the Education Amendments of 1972 (Pub. L. 92-318) and the Regulations of the Department of Education that implement those acts. Two examples of off-campus agreements are included to provide additional guidance.

**Where appropriate, any of the following three paragraphs or other provisions may be included.**

1. Transportation for students to and from their work assignments will be provided by the organization at its own expense and in a manner acceptable to the institution.
2. Transportation for students to and from their work assignments will be provided by the institution at its own expense.
3. Transportation for students to and from their work assignments will not be provided by either the institution or the organization.



### Sample language to specify employer

Whether the institution or the organization will be considered the employer of the students covered under the agreement depends upon the specific arrangement as to the type of supervision exercised by the organization. It is advisable to include some provision to indicate the intent of the parties as to who is considered the employer. As appropriate, one of the two paragraphs below may be included.

Although the following paragraphs attempt to fix the identity of the employer, they will not necessarily be determinative if the actual facts indicate otherwise. Additional wording that specifies the employer's responsibility in case of injury on the job may also be advisable, since federal funds are not available to pay for hospital expenses or claims in case of injury on the job. In this connection, it may be of interest that one or more insurance firms in at least one state have, in the past, been willing to write a workers' compensation insurance policy that covers a student's injury on the job, regardless of whether it is the institution or the organization that is ultimately determined to have been the student's employer when the student was injured.

1. The institution is considered the employer for purposes of this agreement. It has the ultimate right to control and direct the services of the students for the organization. It also has the responsibility to determine whether the students meet the eligibility requirements for employment under the Federal Work-Study Program, to assign students to work for the organization, and to determine that the students do, in fact, perform their work. The organization's right is limited to direction of the details and means by which the result is to be accomplished.
2. The organization is considered the employer for purposes of this agreement. It has the right to control and direct the services of the students, not only as to the result to be accomplished, but also as to the means by which the result is to be accomplished. The institution is limited to determining whether the students meet the eligibility requirements for employment under the Federal Work-Study Program, to assigning students to work for the organization, and to determining that the students do perform their work.

### Sample language to specify responsibility for payroll disbursements and payment of employers' payroll contributions

Compensation of students for work performed on a project under this agreement will be disbursed—and all payments due as an employer's contribution under state or local workers' compensation laws, under federal or state Social Security laws, or under other applicable laws, will be made—by the (organization) (institution) (strike one).

### If appropriate, any of the following paragraphs may be included

1. At times agreed upon in writing, the organization will pay to the institution an amount calculated to cover the organization's share of the compensation of students employed under this agreement.
2. In addition to the payment specified in paragraph (1) above, at times agreed upon in writing, the organization will pay, by way of reimbursement to the institution, or in advance, an amount equal to any and all payments required to be made by the institution under state or local workers' compensation laws, or under federal or state Social Security laws, or under any other applicable laws, on account of students participating in projects under this agreement.
3. At times agreed upon in writing, the institution will pay to the organization an amount calculated to cover the federal share of the compensation of students employed under this agreement and paid by the organization. Under this arrangement, the organization will furnish to the institution for each payroll period the following records for review and retention:
  - a) Time reports indicating the total hours worked each week in clock time sequence and containing the supervisor's certification as to the accuracy of the hours reported.
  - b) A payroll form identifying the period of work, the name of each student, each student's hourly wage rate, the number of hours each student worked, each student's gross pay, all deductions and net earnings, and the total federal share applicable to each payroll,\* and
  - c) Documentary evidence that students received payment for their work, such as photographic copies of canceled checks.

\* These forms, when accepted, must be countersigned by the institution as to hours worked and the accuracy of the total federal share to be reimbursed to the organization or agency.



# Model Need Assessment for FWS Community Service Program

Agency Name: \_\_\_\_\_

Date: \_\_\_\_\_

Contact Name: \_\_\_\_\_

Phone: \_\_\_\_\_

Address: \_\_\_\_\_

1. \_\_\_\_\_ Nonprofit \_\_\_\_\_ For-profit

2. Agency Mission Statement and Description of Clients Served:

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3. Agency Funding Sources (check all that apply):

\_\_\_\_\_ Federal

\_\_\_\_\_ State

\_\_\_\_\_ County/City

\_\_\_\_\_ United Way

\_\_\_\_\_ Other (explain)

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4. Agency's Fiscal Year: \_\_\_\_\_ to \_\_\_\_\_

**5. Agency's Staffing (number of positions):**

\_\_\_\_\_ Full-time paid staff

\_\_\_\_\_ Part-time paid staff

\_\_\_\_\_ Student employees

\_\_\_\_\_ Volunteers

**6. How many student jobs may be available at your agency during:**

Summer 20xx \_\_\_\_\_

20xx-20xx Academic Year \_\_\_\_\_

Summer 20xx \_\_\_\_\_

**7. For each student job expected to be available as indicated in #6, provide the following information, attaching a separate sheet for each position.**

Job Title \_\_\_\_\_

Rate or Range of Pay per Hour \_\_\_\_\_

Begin and End Dates \_\_\_\_\_ to \_\_\_\_\_

Work Schedule-Days and Hours \_\_\_\_\_

Total Hours/Week \_\_\_\_\_

Description of Duties \_\_\_\_\_

Qualifications and Experience (indicate preferred or required) \_\_\_\_\_

**8. Has your agency hired students through the Federal Work-Study Program in the past?**

\_\_\_\_\_ YES \_\_\_\_\_ NO

If YES:

Number of students: \_\_\_\_\_

Dates employed: \_\_\_\_\_

Average length employed: \_\_\_\_\_

**9. Additional Comments:**

## Crediting FWS Funds to Students' Accounts and Paying Credit Balances

### 34 CFR 675.16(b) Crediting a student's account at the institution.

(1) If the institution obtains the student's authorization described in paragraph (d) of this section, the institution may use the FWS funds to credit a student's account at the institution to satisfy

- (i) Current year charges for
  - (A) Tuition and fees;
  - (B) Board, if the student contracts with the institution for board;
  - (C) Room, if the student contracts with the institution for room; and
  - (D) Other educationally related charges incurred by the student at the institution; and
- (ii) Prior award year charges with the restriction provided in paragraph (b)(2) of this section for a total of not more than \$200 for
  - (A) Tuition and fees, room, or board; and
  - (B) Other institutionally related charges incurred by the student at the institution.

(2) If the institution is using FWS funds in combination with other Title IV, HEA program funds to credit a student's account at the institution to satisfy prior award year charges, a single \$200 total prior award year charge limit applies to the use of all the Title IV, HEA program funds for that purpose.

### (c) Credit balances.

Whenever an institution disburses FWS funds by crediting a student's account and the result is a credit balance, the institution must pay the credit balance directly to the student as soon as possible, but no later than 14 days after the credit balance occurred on the account.

### (d) Student authorizations.

(1) Except for the noncash contributions allowed under paragraph (e)(2) and (3) of this section, if an institution obtains written authorization from a student, the institution may

- (i) Use the student's FWS compensation to pay for charges described in paragraph (b) of this section that are included in that authorization; and
- (ii) Except if prohibited by the Secretary under the reimbursement or cash monitoring payment method, hold on behalf of the student any FWS compensation that would otherwise be paid directly to the student under paragraph (c) of this section.

(2) In obtaining the student's authorization to perform an activity described in paragraph (d)(1) of this section, an institution

- (i) May not require or coerce the student to provide that authorization;
- (ii) Must allow the student to cancel or modify that authorization at any time; and
- (iii) Must clearly explain how it will carry out that activity.

(3) A student may authorize an institution to carry out the activities described in paragraph (d)(1) of this section for the period during which the student is enrolled at the institution.

(4) (i) If a student modifies an authorization, the modification takes effect on the date the institution receives the modification notice.

(ii) If a student cancels an authorization to use his or her FWS compensation to pay for authorized charges under paragraph (b) of this section, the institution may use those funds to pay only those authorized charges incurred by the student before the institution received the notice.

(iii) If a student cancels an authorization to hold his or her FWS compensation under paragraph (d)(1)(ii) of this section, the institution must pay those funds directly to the student as soon as possible, but no later than 14 days after the institution receives that notice.

(5) If an institution holds excess FWS compensation under paragraph (d)(1)(ii) of this section, the institution must

- (i) Identify the amount of funds the institution holds for each student in a subsidiary ledger account designed for that purpose;
- (ii) Maintain, at all times, cash in its bank account in an amount at least equal to the amount of FWS compensation the institution holds for the student; and
- (iii) Notwithstanding any authorization obtained by the institution under this paragraph, pay any remaining balances by the end of the institution's final FWS payroll period for an award year.



# 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](mailto:PerkinsLiquid@ed.gov).

## The Federal Perkins Loan Program

34 CFR Part 674

### PPA

34 CFR 674.8

### ICC

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

### Student eligibility

34 CFR 674.9

### Selecting students

34 CFR 674.10

### Federal capital contribution

34 CFR 674.2

### 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](http://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](mailto: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

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### MPN Promissory Note

34 CFR 674.31  
DCL GEN-16-13.

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### Retention of records

34 CFR 674.19(d) & (e)

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### Perkins websites

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

<http://ifap.ed.gov/dpccletters/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

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#### 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.**

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#### 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*.

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**Credit bureau reporting**

34 CFR 674.16(h)

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**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](http://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](mailto: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](http://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.

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**Reimbursement for overpayments or default**

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

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

### 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)).

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**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](mailto: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](https://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](http://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](mailto:cbfob@ed.gov).

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

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

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### 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](http://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](http://www.g5.gov).
2. Click on Payments.
3. Click on Create Refunds.
4. Under Refunds Creation, click on the Miscellaneous Refunds tab and select Continue.
5. On the Create Miscellaneous Refunds tab, enter the required details below and 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](mailto:perkinsliquid@ed.gov).

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



# Perkins Repayment Plans, Forbearance, Deferment, Discharge, and Cancellation



*Repayment terms vary substantially among Perkins Loans, National Direct Student Loans, and National Defense Student Loans. In addition, the Federal Perkins Loan Program offers borrowers a variety of forbearance, deferment, and cancellation options. Finally, there are a number of situations that allow a Perkins, NDSL, or Defense Loan to be discharged. All of these topics are addressed in this chapter.*

## GRACE PERIODS

A grace period is the period of time before the borrower must begin or resume repaying a loan. There are two kinds of grace periods for Perkins loans:

- ♦ *Initial grace period*—a nine-month grace period that immediately follows a period of enrollment and immediately precedes the date repayment is required to begin *for the first time*. A borrower is only entitled to one initial grace period.
- ♦ *Post-deferment grace period*—a six-month grace period that follows any subsequent period of deferment.

### Initial grace periods

A Perkins borrower is entitled to an initial grace period of nine consecutive months after dropping below half-time enrollment. If the borrower returns to school on at least a half-time basis before the nine months have elapsed, the initial grace period has not been used. The borrower is entitled to a full initial grace period (nine consecutive months) from the date that he or she graduates, withdraws, or drops below half-time enrollment again.

### Post-deferment grace periods

A *post-deferment grace period* is the period of six consecutive months that immediately follows the end of a period of deferment and precedes the date on which the borrower must resume repayment on the loan. Neither the deferment nor the grace period is counted as part of the 10-year repayment period.

#### Grace period

Definitions  
34 CFR 674.2

#### Prepayment

34 CFR 674.31(b)(4)

#### Less than half-time grace periods

34 CFR 674.32

#### Grace periods for NDSLs

Note that repayment of an NDSL made on or after October 1, 1980, begins **six months** after the date that the borrower drops below at least half-time enrollment.

**Approved leaves of absence**

34 CFR 668.22 (c)(1)(v) and (vi);

34 CFR 668.22 (d)

**Deferment During Initial Grace Period**

If a borrower requests a deferment to begin during the initial grace period, the borrower must waive (in writing) his or her rights to the initial grace period. The request for a deferment alone is not sufficient documentation for a school to waive the initial grace period; the borrower must also acknowledge in writing that he or she wants the waiver.

Except for hardship deferments on loans made before July 1, 1993, all deferments for all loans made under the Federal Perkins Loan Program have post-deferment grace periods of six consecutive months.

***Applicable grace period when student is attending less than half time***

A borrower who is attending less than half time and who has no outstanding Perkins Loans must begin repaying a new loan nine months from the date the loan is made or nine months from the date the student enrolled less than half time, whichever is earlier. (This nine-month period includes the date the loan was made.)



A borrower who is attending less than half time and who has an outstanding Perkins Loan or NDSL must begin repayment on an additional loan when the next scheduled installment of the outstanding loan is due; there is no formal grace period or in-school deferment on the new loan.

***Calculating the grace period***

A grace period is always day specific—an initial grace period begins the day after the day the borrower drops below half-time enrollment. Similarly, a post-deferment grace period begins on the day immediately following the day on which an authorized period of deferment ends.

If a borrower has received loans with different grace periods (and different deferment provisions), the borrower must repay each loan according to the terms of its promissory note; the borrower must pay the minimum monthly payment amount that applies to each loan that is not in a grace or deferment period.

***Grace period when student doesn't return from leave of absence***

Students granted approved leaves of absence retain their in-school status for FSA loans. However, if a student does not return from an approved leave of absence, the student's grace period begins the date the student began the leave of absence. (If the school is required to take attendance, the grace period begins on the last date of academic attendance.)



For a student who does not return from an approved leave of absence, this withdrawal date might result in the exhaustion of some or all of the student's grace period.

Leaves of absence no longer qualify as approved leaves of absence for FSA purposes unless the school explains the effects that the student's failure to return from an approved leave of absence might have on the student's loan repayment terms, including the exhaustion of some or all of the student's grace period.

### Use of Initial Grace Period

#### Example: Student returns before initial grace period elapses

Fenriz takes out a Perkins Loan in the fall quarter at Sims School of Botany but drops out of school for the winter quarter. He reenrolls as a half-time student in the summer session before the nine-month grace period has expired. Therefore, Fenriz is entitled to a full initial grace period once he again leaves school or drops below half-time status.

#### Example: Different grace period for earlier loans

Steve took out several Perkins Loans while attending New Frontier Community College (NFCC) and began repaying them nine months after graduating. Later, he enrolled in a bachelor's degree program at Old Ivy College and was able to defer his older Perkins Loans. He took out two additional Perkins Loans at Old Ivy.

When Steve graduates from Old Ivy, he is entitled to an initial grace period (nine months) for his Perkins Loans at Old Ivy but must resume repaying his older Perkins loans (from NFCC) at the end of the six-month post-deferment period.

### Exclusion for Reservists on Active Duty

If a borrower is a member of the Armed Forces Reserve, the initial grace period does not include any period (up to three years) during which the borrower is ordered to active duty for more than 30 days, including the period necessary for the borrower to resume enrollment at the next available enrollment period. The period necessary for the borrower to resume enrollment at the next available enrollment period may not exceed 12 months.

The borrower must notify you of the beginning and end dates of his or her service and the date he or she resumes enrollment. A borrower who enrolls in a different educational program after returning from active duty is entitled to the same grace period benefits. A borrower who is in a grace period when called or ordered to active duty is entitled to a new grace period upon conclusion of the excluded period.

## Grace Periods and Less than Half-Time Enrollment

### Example: Perkins received while enrolled less than half time

Paula starts school full-time in September. She does not have an outstanding Perkins Loan or NDSL. In January, Paula drops to one-quarter-time and in March, she receives a Perkins Loan.

Since Paula dropped below half-time enrollment *before* the Perkins Loan was made, Paula must begin repayment nine months after the date she dropped below half-time enrollment—her first payment will be due in October.

### Example: Second Perkins Loan received while first loan is in repayment

Jason has been making monthly payments on Perkins Loan #1, which went into repayment nine months after he completed a one-year program at a career school.

He subsequently enrolls in a new program at a community college and takes out Perkins Loan #2 in September. He is only enrolled one-quarter-time at the community college, so he is not eligible for in-school deferment. His next payment on Loan #1 is due October 15. Jason will begin repaying Loan #2 at the same time. *Remember that the repayment status of the outstanding loan determines the repayment status of the second loan.*

## Contacts with Borrowers During Perkins Grace Period

If the borrower's Perkins loans have a six-month grace period, you must contact that borrower at the 90-day and 150-day points in the grace period. If the borrower's Perkins loans have a nine-month grace period, you must also contact the borrower at the 240-day point.

### First contact: 90 days after the grace period begins

The school or servicer must

- remind the borrower of the responsibility to comply with the terms of the loan,
- inform the borrower of the total outstanding amount on the loan account, including the principal and interest accruing over the remaining life of the loan, and
- notify the borrower of the date and amount of the first requested payment.

### Second contact: 150 days after the grace period begins

The school or servicer must remind the borrower of the date and amount of the first requested payment.

### Third contact (nine-month grace periods only): 240 days after the grace period begins

The school or servicer must remind the borrower of the date and amount of the first requested payment.

## Prepayment

A borrower may prepay all or part of a Perkins Loan at any time without penalty.

If a borrower makes a payment during the academic year in which a loan was made, the school must use any amount repaid to reduce the original loan amount and not consider these amounts to be prepayments.

If a borrower makes a payment during the academic year in which the loan was made and the initial grace period ended, only those amounts in excess of the amount due for any repayment period shall be treated as prepayments.

If a borrower makes a payment in any academic year, other than the one in which the loan was made, that exceeds the amount due for any repayment period, the school must use the excess to prepay the principal unless the borrower designates it as an advance payment of the next regular installment. 34 CFR 674.31(b)(4)

### *Precollection activities during the grace period*

Collection procedures on the part of a school or its servicer begin on the day a student ceases to be enrolled at least half time. By performing certain pre-collection activities, a school or its servicer can increase the likelihood that a student will begin satisfactory repayment on his or her Federal Perkins Loan.

The school must perform and maintain documentation substantiating that it has contacted the borrower.

1. For Federal Perkins Loans, the school shall contact the borrower three times within the initial grace period.
2. For loans with a six-month initial or post-deferment grace period, the school shall contact the borrower twice during the grace period.
3. The school or its servicer shall contact the borrower for the first time 90 days after the commencement of any grace period. The school shall, at this time, remind the borrower of his or her responsibility to comply with the terms of the loan and shall send the borrower the following information:
  - the total amount remaining outstanding on the loan account, including principal and interest accruing over the remaining life of the loan; and
  - the date and amount of the first required payment.
4. The school shall contact the borrower the second time 150 days after the commencement of any grace period. The school shall, at this time, notify the borrower of the date and amount of the first required payment.
5. The school shall contact a borrower with a nine-month initial grace period a third time 240 days after the commencement of the grace period and shall inform him or her of the date and amount of the first required payment.

#### **Payment Made During Initial Grace Period Example**

Shannon applies her yearly birthday check of \$400 to her \$1,000 Perkins Loan before the initial grace period ends. Then, the principal advanced to Shannon becomes \$600. This is not considered a prepayment because payment was made before the end of the initial grace period.



## ESTABLISHING A REPAYMENT PLAN

### When repayment begins

34 CFR 674.31(b)(2)(B) and (C) and 674.32

### Repayment plan requirements

34 CFR 674.33(a)

### Minimum monthly payments

34 CFR 674.33(b)

A borrower must repay his or her loan, plus interest, in 10 years. This repayment period never includes authorized periods of deferment, forbearance, or cancellation.

The repayment plan must be established and disclosed to the student before the student ceases to be enrolled at least half time.

If a student receives loans from more than one school, the repayment of each loan is made to the school where the student received the loan.

### Calculating Payment Amount Example

Bernadine received a \$2,500 Perkins Loan to attend Jordan College, which requires quarterly payments. To calculate Bernadine's quarterly payment, Jordan College multiplies the original principal by the constant multiplier for a quarterly payment frequency:  
 $\$2,500 \times .0319214 = \$79.80$

### Calculating the repayment amount

Schools may require the borrower to make payments on a monthly, bimonthly, or quarterly basis. Each of the borrower's payments must sufficiently cover the interest accruing between payments to ensure that the loan is repaid in 10 years. Schools calculate the correct payment amount by multiplying the principal by the appropriate constant multiplier (see table). Schools using the minimum monthly payment plan option may require the borrower to pay a minimum monthly amount of \$40 instead.

If the installment for all loans a school made to a borrower is not a multiple of \$5, the school may round the installment payments to the next highest dollar amount that is a multiple of \$5.

If the last scheduled payment is \$25 or less, the school may combine it with the next-to-last payment.

### 10-Year Repayment Table of Constant Multipliers

Annual Rate	Payment Frequency	Payments per year	Total Payments	Constant Multiplier
5%	Monthly	12	120	<b>.0106065</b>
5%	Bimonthly	6	60	<b>.0212470</b>
5%	Quarterly	4	40	<b>.0319214</b>

**Principal × Constant Multiplier = Payment Amount**

### Interest accrual

Interest on a Perkins Loan made on or after October 1, 1981, must be computed at the rate of 5% per annum simple interest on the unpaid principal balance. Although interest accrues on a Perkins Loan, *your school may not capitalize it*. This means that your school may not add unpaid interest to the principal balance to increase the principal balance of the Perkins Loan. Instead, your school must track principal and interest as separate figures, adding accrued interest to the interest balance, *not* the principal balance.

Generally, interest is computed from the date a payment is received rather than from the due date. However, there are exceptions. Interest charges may be computed to the nearest first-of-the-month, or they may be computed in accordance with the borrower's established schedule of payments of principal and interest if the borrower is making payments on a regular basis according to that schedule. For example, if a grace period expires in the middle of a month, interest may be computed to the beginning of the next month. Also, if a past-due payment is received before the next regularly scheduled payment, the interest may be computed according to the established payment schedule—no adjustments are necessary.

### Incentive repayment program

To encourage repayment, a school may

- ♦ reduce a loan's interest rate by up to 1% if the borrower makes 48 consecutive monthly payments;
- ♦ discount by up to 5% the balance a borrower owes on a loan if the loan is paid in full before the end of the repayment period; or
- ♦ with the Secretary's approval, establish any other repayment incentive options that reduce default and replenish student loan funds.

A school may not use federal funds or school funds from the Perkins Loan Revolving Fund to absorb the costs associated with repayment incentives. On at least a quarterly basis, schools must reimburse the Perkins Loan Fund for income lost as a result of the discounts offered through the Incentive Repayment Program.

#### Interest Rate on Older Perkins Loans

Older Perkins Loans have different interest rates. The interest rate is stated in the borrower's promissory note. The annual interest rate for loans made before July 1, 1981, was 3%; between July 1, 1981, and September 30, 1981, was 4%; on or after October 1, 1981, is 5%.

#### Simple Interest Accrual Example

Fred has been granted a hardship forbearance for a year. At the beginning of his forbearance period, Fred's loan balance is \$1,000:

Principal: **\$1,000**  
Interest: **\$0**

Interest accrues throughout the forbearance period at a simple rate of 5% per annum. At the end of the year-long forbearance period, Fred's loan balance is \$1,050:

Principal: **\$1,000**  
Interest: **\$50**

When Fred makes his first payment after the end of the forbearance, his payment is applied to interest first, then principal. Fred makes a payment of \$25, reducing his balance to \$1,025:

Principal: **\$1,000**  
Interest: **\$25**

#### Incentive repayment program

34 CFR 674.33(f)

**Minimum monthly repayment**

34 CFR 674.33(b)

**Minimum Monthly Repayment Amount for Older Loans**

The minimum monthly repayment amount is \$30 for NDSLs and Perkins Loans made before October 1, 1992, and Perkins Loans made after October 1, 1992, to borrowers who have an outstanding balance on a Perkins Loan, NDSL, or Defense Loan made before October 1, 1992, that included a \$30 minimum monthly repayment provision. The minimum monthly repayment amount is \$15 for Defense Loans.

If a borrower has both Defense and NDSL or Perkins Loans from one or more schools and the total monthly repayment is less than \$30 and the monthly repayment on a Defense Loan is less than \$15, the amount applied to the Defense Loan may not exceed \$15.

**Hardship Payment Reduction**

A school may reduce a borrower's scheduled payments for up to one year at a time if the borrower is scheduled to pay the \$40 minimum monthly payment and the school determines that the borrower is unable to make the scheduled payments due to hardship, such as prolonged illness or unemployment.

**Minimum monthly repayment amounts**

Schools may choose to include a minimum monthly repayment requirement in the Perkins Loan promissory note. The minimum monthly repayment amount is \$40, unless the borrower on the date the new loan is made has an outstanding balance on a Perkins Loan made before October 1, 1992, that included a \$30 minimum monthly repayment provision. (See sidebar.)

To determine the minimum repayment for bimonthly and quarterly payment schedules, schools should multiply \$40 by two (months) and three (months), respectively.

**Conditions for minimum monthly repayment**

A school may require a borrower to pay a minimum monthly payment amount of \$40 on a Perkins Loan if

- ♦ the promissory note includes a provision specifying a minimum monthly repayment of \$40 and the monthly repayment of principal and interest for a 10-year repayment period (as calculated using a constant multiplier) would be less than \$40; or
- ♦ the borrower has received Perkins Loans with different interest rates at the same school and the total monthly payment would otherwise be less than \$40 (provided any of the promissory notes includes the minimum monthly repayment provision).

Under no circumstances may a school require a minimum monthly repayment of more than \$40.

**Multiple loans at same school**

If a borrower has multiple Perkins Loans from the same school, any of which include the minimum monthly payment provision, the school may require the borrower to make a minimum monthly payment if the borrower's total monthly payment on all the loans totals less than \$40. A student's monthly payment amount may need to be higher than \$40, of course, so that his or her debt is repaid by the end of 10 years.

If the school exercises this option, the school must divide each monthly payment among all the loans proportionate to the amount of principal advanced under each loan. If the borrower's total monthly payment equals or exceeds \$40 for all of the loans made at that school, the school may not exercise the minimum monthly payment on any loan. The school determines the minimum monthly repayment in this manner even if the Perkins Loans have different interest rates.

If the borrower has received Perkins Loans with different grace periods and deferments, the school must treat each note separately. The school still divides the minimum monthly payment proportionately among the loans. However, the borrower must pay each loan's portion when it is due.

### Loans from multiple schools

A borrower may have received Perkins Loans from more than one school. If the borrower wants your school to coordinate minimum monthly payments with another school, he or she must request such coordination.

If the total of the monthly payments is

- ♦ *at least equal to \$40*, none of the lending schools may exercise the minimum monthly repayment requirement.
- ♦ *less than \$40, but only one school exercises the minimum monthly payment option*, that school receives the difference between \$40 and the repayment owed to the second school.
- ♦ *less than \$40 and each school exercises the minimum repayment option*, the \$40 minimum repayment is divided among the schools in proportion to the total amount of principal each has advanced.

If the borrower requests that your school coordinate minimum monthly payment amounts with another school, you should ask the borrower for

- ♦ the names of all other schools to which the borrower owes funds under the Federal Perkins Loan Program;
- ♦ the approximate amount borrowed from, and the current indebtedness to, each school; and
- ♦ any information that would help identify the loans—for example, the loan number and the dates of loan advances.

Using this information, the schools should contact each other and negotiate the amount each should receive from the borrower.

### Loans from multiple schools

34 CFR 674.33(b)(2) & (3)

#### Two Schools/Minimum Monthly Payment Amount Example

Betsy has Perkins Loans from Heinz College and Elise University. Heinz does not exercise the minimum monthly payment option and receives from Betsy \$25 a month (the amount due under its established 10-year repayment plan). Elise exercises the \$40 option and receives from Betsy \$15, the difference between \$40 and the amount of principal and interest paid to Heinz.

### Perkins Loan Quarterly Billing Example

(with four standard repayment dates)

Borrower's Termination Date	Initial 9-Month Grace Period Ends	Installment Due
January 1	September 30	January 1
February 1	October 31	"
March 1	November 30	"
April 1	December 31	April 1
May 1	January 31	"
June 1	February 28	"
July 1	March 31	July 1
August 1	April 30	"
September 1	May 31	"
October 1	June 30	October 1
November 1	July 31	"
December 1	August 31	"

### ESTABLISHING REPAYMENT DATES

#### Use of Fixed Repayment Dates

For collection and bookkeeping purposes, a fixed repayment date is preferred. Otherwise, if the borrower is entitled to a deferment, the school may have problems computing payments due.

Depending on the repayment schedule (monthly, bimonthly, or quarterly), the borrower's first payment is due one, two, or three months from the date the grace period expires. Repayment schedules must be adjusted (preferably on the first installment) so that the loan will be repaid within the normal 10-year period or as prescribed in the terms of the promissory note.

For convenience, a school may establish standard repayment dates for borrowers who are on quarterly repayment schedules. The first repayment date may be the first day of the calendar quarter after the grace period has expired. Four standard repayment dates would be used: January 1, April 1, July 1, and October 1. (See the chart above.)

Alternatively, a school may adopt a "rolling" quarterly repayment schedule in which each borrower's first payment is due exactly three months after the date his or her grace period expires. For example, if a borrower's first grace period expires on May 17, the first installment payment is due August 18. Another borrower's grace period expires May 18, so the first installment payment on that loan is due August 19.

Once the payment date is established, the borrower will owe principal and interest for any portion of a scheduled installment period not covered by a deferment. However, if the borrower is in deferment on a due date, any amounts owed are carried over and paid on the first due date on which the borrower is out of deferment.

## Extending repayment period for illness, unemployment, or low income

A school may extend a repayment period if the borrower is experiencing a period of prolonged illness or unemployment.

A school may also extend the repayment period for a Perkins Loan if, during the repayment period, the school determines that the borrower qualifies as a *low-income individual* based on total family income (see sidebar).

In the case of low-income individuals, the repayment period may be extended up to 10 additional years. You must review the borrower's income status annually to determine whether he or she still qualifies as a low-income individual.

If you determine that a borrower ceases to qualify for an extended repayment period, you must amend the borrower's repayment schedule. The amended repayment schedule may not exceed the number of months remaining on the original repayment schedule (not including any extensions of the repayment period).

There are two other ways that a school may adjust the repayment schedule for a borrower who qualifies as a low-income individual:

- ♦ The school may require a borrower to pay a reduced amount for a limited time and then later increase the payment amount so the borrower catches up on payments. The repayment period does not have to be extended. For example, a school reduces the payment amount to \$10 per month for six months and then increases it to \$50 per month until the borrower catches up.
- ♦ The school may allow the borrower to pay \$10 per month for a year and then resume normal payments. This type of adjustment extends the repayment period.

Interest continues to accrue during an extension of a repayment period for any of these reasons.

### Repayment period extension

34 CFR 674.33(c)

#### Low-Income Individual

The school must use the Income Protection Allowance (published annually by ED in the Federal Register, usually in May) to determine whether a student is a low-income individual.

Based on the most recent Income Protection Allowance tables (May 2016, applicable for 2016–2017)

- an unmarried borrower without dependents qualifies as a *low-income individual* if his or her total income for the preceding calendar year did not exceed \$9,980.
- a borrower with a family that includes the borrower and any spouse or legal dependents qualifies as a *low-income individual* if his or her total family income for the preceding calendar year did not exceed the relevant amount below:

Family of 2	\$25,280
Family of 3	\$31,480
Family of 4	\$38,870
Family of 5	\$45,870
Family of 6	\$53,640

For each additional family member add \$6,060.

**For more information, please see FR Vol. 81, No. 100/Tuesday, May 24, 2016.**



**Forbearance**

34 CFR 674.33(d)

The HEOA eliminates the requirement that a forbearance request be in writing.

HEOA 464

HEA 464(e)

**Reduction of payments during hardship**

34 CFR 674.33(b)(5) &amp; (6)

**Extension of repayment during hardship**

34 CFR 674.33(c)(1)

**Extension of repayment for low-income individuals**

34 CFR 674.33(c)(2)

**Paying Interest During Forbearance Period**

Unlike deferment, interest continues to accrue during any period of forbearance. The borrower may request to pay interest as it accrues during periods of forbearance, but the school *may not* require the borrower to do so.

**Forbearance Forms**

The Department has issued OMB-approved forbearance forms for use in the Perkins, Direct Loan, and FFEL programs.

As of June 1, 2016, only the OMB-approved “Mandatory Forbearance” form may be provided to Perkins borrowers requesting forbearance due to student loan debt burden.

As of July 1, 2016, only the OMB-approved “General Forbearance” form may be provided to Perkins borrowers requesting forbearance due to poor health or for other acceptable reasons.

See DCL GEN-16-02 and DCL GEN-16-06.

**Peace Corps Deferment**

If the borrower is currently in economic hardship deferment for service in the Peace Corps, the school may grant deferment for the full term of the borrower’s service, not to exceed three years, or for the remaining period of economic hardship deferment eligibility, if it is less than the remaining period of service.

**Payment processing**

Any payment a school receives must be applied in the following order:

1. collection costs
2. late charges (or penalty charges)
3. accrued interest
4. principal

Past-due payments should be applied in the same order as other payments except that past-due payments must be applied to the “oldest” past-due dollars first.

**FORBEARANCE**

Forbearance is usually a temporary postponement of payments. Forbearance is available for all loans made under the Federal Perkins Loan Program, regardless of when they were made.

The borrower may alternatively request an extension of time allowed for making payments or the acceptance of smaller payments than were previously scheduled.

Schools may grant forbearance to borrowers who are experiencing financial hardship or poor health, or for other acceptable reasons. For example, the Department strongly encourages schools to grant periods of forbearance to borrowers who are serving in AmeriCorps. Also, the Department may authorize periods of forbearance due to a national military mobilization or other national emergency.

Borrowers must request forbearance and provide supporting documentation of the reason for forbearance. (Schools may now process forbearance requests based on a verbal request from a borrower.) The school and borrower must agree to the terms of the forbearance. The school confirms this agreement by notice to the borrower and by recording the terms in the borrower’s file.

Schools may grant the borrower forbearance for a period of up to one year at a time. The forbearance may be renewed, but the periods of forbearance collectively may not exceed a total of three years. A school may apply an authorized period of forbearance to begin retroactively (that is, to begin on an earlier date than the date of the borrower’s request) if the borrower requests that the school do so and if he or she provides adequate documentation to support the request.

Schools may not include periods of forbearance in determining the 10-year repayment period.

## Hardship

A school must grant forbearance if the total amount the borrower is obligated to pay monthly on all FSA loans is equal to or greater than 20% of the borrower's total monthly gross income. Total monthly gross income is the gross amount of income received by the borrower from employment (either full-time or part-time) and from other sources.

To receive forbearance for hardship, the borrower must submit at least the following documentation:

- ♦ evidence of the amount of the borrower's most recent total monthly gross income, AND
- ♦ evidence of the amount of the monthly payments the borrower owes for the most recent month on his or her FSA loans

## DEFERMENT

Under certain circumstances, a borrower is entitled to have the repayment of a loan deferred. During deferment, the borrower is not required to pay loan principal and interest does not accrue. After each deferment, the borrower is entitled to a post-deferment grace period of six consecutive months.

In most cases, the borrower must request deferment *unless* the borrower is engaged in service that may qualify for loan cancellation or the school can determine that the borrower is enrolled at least half time at an eligible school. Borrowers are no longer required to request deferments in writing. However, a borrower who requests deferment must provide the school with **supporting documentation on an OMB-approved deferment form** by the school's deadline. Borrowers must immediately report any change in their deferment status to lending schools.

You may grant a deferment, at the borrower's request, based on information from the holder of an FSA loan that a borrower has been granted a deferment for the same reason and the same time period on the borrower's Perkins, Direct, or FFEL Stafford or PLUS Loan. (Holders of FSA loans include another Perkins school, an FFEL lender, the Department of Education, or a guaranty agency.) This simplified deferment granting process is optional and only applies to in-school deferments, graduate fellowship deferments, rehabilitation training program deferments, unemployment deferments, economic hardship deferments, military service deferments, and active duty student deferments.

If a borrower is currently in deferment, the school must reaffirm continued eligibility for deferment on at least an annual basis (except for Peace Corps service—see sidebar on previous page). Schools may not include periods of deferment in the 10-year repayment period.

### Calculating Equivalent Monthly Payment (Hardship Forbearance)

If the borrower's loan payments are due less frequently than monthly, a proportional share of the payments is used to determine the equivalent in total monthly payments. For example, if a payment is due quarterly, divide the amount by three (because the payment covers three months) to determine the equivalent monthly payment amount.



### Must Be a "Regular" Student to Get a Deferment

A Perkins borrower must be a "regular student" enrolled at least half time at an eligible school in order to qualify for an in-school deferment on a Perkins Loan.

Students who are merely auditing classes are NOT eligible for in-school deferments. When courses are taken for academic credit, there is the potential that they could be applied to a degree or certificate program at some point or serve as required prerequisites for some future anticipated degree program. Students who are auditing classes are not usually subject to the same academic requirements, receive neither credits or grades, and are not able to apply those courses toward a degree.

### Deferment Forms

The Department has issued OMB-approved deferment forms for use in the Perkins, Direct Loan, and FFEL programs. As of June 1, 2016, only the OMB-approved deferment forms may be provided to Perkins borrowers requesting the following deferments:

- In-school
- Graduate fellowship
- Rehabilitation training program
- Unemployment
- Economic hardship

DCL GEN-16-02.



**Concurrent deferment**

34 CFR 674.34(c)

34 CFR 674.52(d)

**Deferments—Perkins regulations**34 CFR 674.34 Deferment of repayment—  
Federal Perkins Loans.34 CFR 674.35 Deferment of repayment—  
Federal Perkins Loans made before July 1,  
1993.34 CFR 674.36 Deferment of repayment—  
NDSLs made on or after October 1, 1980, but  
before July 1, 1993.34 CFR 674.37 Deferment of repayment—  
NDSLs made before October 1, 1980, and  
Defense loans.

§ 674.38 Deferment procedures.

**Deferments on defaulted loans**

The policy permitting deferments on  
defaulted loans applies to all requests for  
deferment received after February 3, 1988,  
regardless of the date the loan was made.

**Acceleration**

Loan acceleration is one of the penalties a  
school may impose on a defaulted loan. A  
loan that has been accelerated becomes due  
and payable immediately in one lump sum.

**Concurrent deferment/cancellation**

Schools must automatically defer loans during periods when the borrower is performing service that will qualify him or her for loan cancellation. Borrowers do not need to apply for concurrent deferment. Schools may grant concurrent deferment for up to 12 months at a time. Concurrent deferment is available to all loans made under the Federal Perkins Loan Program, regardless of disbursement date and contrary provisions on the promissory note.

A borrower who receives concurrent deferment is also entitled to a post-deferment grace period of six consecutive months. Therefore, regardless of the length of time that the eligible service is performed, repayment is deferred during that period of service and does not resume until six months after the cessation of service.

**Deferment and default**

A borrower is not entitled to a deferment on a defaulted loan. If the borrower signs a new repayment agreement, however, a school may grant a deferment even if the school has “accelerated” the loan. The school would have to undo the loan acceleration before granting the deferment.

A borrower must file for deferment by a deadline the school sets and provide satisfactory documentation that he qualifies for the deferment.

Before granting a deferment on a defaulted loan, the school may require the borrower to pay immediately late fees, collection costs, and some or all of the amount past due as of the date on which the school determined that the borrower had demonstrated eligibility for a deferment. The Department encourages schools to require the borrower to do so, thus “curing” the default.

*A school is not required to grant deferments on loans in default.* However, if a school does so, it is expected to calculate past due accrued interest. If a school believes this is too burdensome, it may deny deferments on defaulted loans.

### ***Maintaining in-school enrollment status vs. in-school deferment***

When a student borrower graduates or leaves school and subsequently reenrolls at another school before the initial grace period expires, he or she retains “in-school” enrollment status and does not “use up” the nine-month initial grace period. A borrower is entitled to a full initial grace period when he or she ceases half-time enrollment in the new program.

The borrower may submit proof at any time—even after a loan has been accelerated—that he or she reenrolled at least half time before the initial grace period expired. Upon receipt of this proof, *the school must recalculate the first date of repayment*. The school must also deduct from the loan balance any interest accrued and any late charges added before the date the repayment period actually should have begun. Note that the borrower remains responsible for payments that would have been due under the recalculated repayment period and that the school is not obligated to grant a deferment for any payments past due under that period.

If a Perkins borrower graduates or leaves school and reenrolls at least half time in an eligible postsecondary school *after* the initial grace period has expired, the student is no longer in in-school enrollment status. However, the student may be eligible for an in-school *deferment* (see next page). Keep in mind that a post-deferment grace period is only six months.

Schools exercising the minimum monthly payment provision listed in the promissory note must cease doing so and grant a deferment to cover any period of qualifying service. The amount to be deferred and subsequently canceled must be calculated using the 10-year repayment period.

#### **Enrollment Reporting Process**

Perkins schools can receive student enrollment information through the NSLDS Enrollment Reporting Process.

Please refer to the NSLDS Reference Materials, Federal Perkins Technical Update dated 04-06-2012 at

**[ifap.ed.gov/nsldsmaterials/PK201201PerkinsTechUpdate.html](http://ifap.ed.gov/nsldsmaterials/PK201201PerkinsTechUpdate.html)**

Borrowers and students may also self-report their enrollment status by logging into the NSLDS student access website to inform NSLDS of their enrollment status.

## Deferments for All Perkins Loans, NDSLs, and Defense Loans (34 CFR 674.34)

*The deferments that follow are available to all loans made under the Federal Perkins Loan Program, regardless of disbursement date or contrary provisions in the promissory note.*

### In-school deferment

A borrower may defer repayment of a Perkins Loan if he or she is enrolled at least half time in an eligible school.

To receive an in-school deferment for a Perkins Loan, the borrower must be enrolled as a regular student in an eligible institution of higher education or a comparable institution outside the United States approved by the Department for deferment purposes. A regular student is one who is enrolled for the purpose of obtaining a degree or certificate. (The eligible institution need not participate in the Federal Perkins Loan Program.)

If the borrower is attending at least half time as a regular student for a full academic year and intends to do so in the next academic year, he or she is entitled to a deferment for **12 months**. This means that a school must continue to apply the in-school deferment through the summer session, even if the borrower does not attend classes during the summer session. In-school deferment ends on the day the borrower graduates or drops below half-time enrollment.

Schools may grant in-school deferments to borrowers based on student enrollment information provided by third-party servicers or other schools. The enrollment information must establish that the borrower is enrolled as a regular student on at least a half-time basis. If a school grants deferment based on this information, the school must notify the borrower of the deferment and offer the option to cancel the deferment and continue repayment of the loan.

If a borrower is attending a school that ceases to qualify as an institution of higher education, the borrower's deferment ends on the date the school ceases to qualify.

### Graduate fellowship

A borrower may defer repayment if he or she is enrolled and in attendance as a regular student in a course of study that is part of a graduate fellowship program approved by the Department, including graduate or postgraduate fellowship-supported study (such as a Fulbright grant) outside the United States. To qualify for a deferment for study as part of a graduate fellowship program, a borrower must provide the lending institution with a statement from an authorized official of the borrower's graduate fellowship program certifying—that the borrower holds at least a baccalaureate degree conferred by an institution of higher education; that the borrower has been accepted or recommended by an institution of higher education for acceptance on a full-time basis into an eligible graduate fellowship program; and the borrower's anticipated completion date in the program.

An eligible graduate fellowship program is a fellowship program that provides sufficient financial support to graduate fellows to allow for full-time study for at least six months; requires a written statement from each applicant explaining the applicant's objectives before the award of that financial support; requires a graduate fellow to submit periodic reports, projects, or evidence of the fellow's progress; and, in case of a course of study at a foreign university, accepts the course of study for completion of the fellowship program.

## Deferments for All Perkins Loans (continued)

### Rehabilitation training

A borrower may defer repayment if he or she is enrolled in a course of study that is part of a Department-approved rehabilitation training program for disabled individuals.

To receive this deferment, the borrower must provide the school with certification that

- the borrower is receiving, or is scheduled to receive, rehabilitation training from the agency;
- the agency is licensed, approved, certified, or otherwise recognized by a state agency responsible for programs in vocational rehabilitation, drug abuse treatment, mental health services, or alcohol abuse treatment; or by the Department of Veterans Affairs; and
- the agency provides or will provide the borrower rehabilitation services under a written plan that (1) is individualized to meet the borrower's needs; (2) specifies the date that services will end; and (3) is structured in a way that requires substantial commitment from the borrower.

A substantial commitment from the borrower is a commitment of time and effort that would normally prevent the borrower from holding a full-time job either because of the number of hours that must be devoted to rehabilitation or because of the nature of the rehabilitation.

### Seeking full-time employment

A borrower may defer repayment on a Perkins Loan for up to three years, regardless of disbursement date and contrary provisions on the promissory note, if the borrower is seeking and unable to find full-time employment. Forms for requesting deferment are available at <https://ifap.ed.gov/dpcletters/attachments/GEN1606Attach.pdf>.

34 CFR 674.34(g)

### Economic hardship

A borrower is entitled to an economic hardship deferment for periods of up to one year at a time, not to exceed three years cumulatively, if the borrower provides the school with satisfactory documentation showing one of the following:

- the borrower has been granted an economic hardship deferment for either a Stafford or PLUS Loan for the same period of time for which the Perkins Loan deferment has been requested;
- the borrower is receiving federal or state general public assistance, such as Temporary Assistance to Needy Families, Supplemental Security Income, or Supplemental Nutrition Assistance Program (SNAP);
- the borrower is working full-time\* and is earning a total monthly gross income that does not exceed (1) the monthly earnings of someone earning the minimum wage, or (2) 150% of the poverty line\*\* for the borrower's family size;

### Deferments for All Perkins Loans (continued)

- the borrower is serving as a volunteer in the Peace Corps. Schools may grant deferments for Peace Corps service for periods longer than one year at a time, but these periods must not collectively exceed three years.\*\*\*

Note that the deferment provision for borrowers whose debt burden exceeds 20% of total monthly gross income has been eliminated.

\* A borrower is considered to be working full-time if he or she is expected to be employed for at least three consecutive months for at least 30 hours per week.

\*\* The poverty guidelines are published annually by the Department of Health and Human Services. If a borrower is not a resident of a state identified in the poverty guidelines, the poverty guideline to be used for the borrower is the poverty guideline (for the relevant family size) used for the 48 contiguous states.

\*\*\* To qualify for a *subsequent* period of deferment that begins less than one year after the end of the deferment described in option three, the borrower must submit a copy of his or her federal income tax return if the borrower filed a tax return within the eight months preceding the date the deferment is requested.

#### ***Determining maximum monthly gross income and 150% of poverty line (#3)***

##### **Monthly gross income at minimum wage**

The current hourly minimum wage is available at <https://www.dol.gov/general/topic/wages/minimumwage>

To find monthly gross income, multiply the minimum wage by the typical work hours in a year, and then divide this amount by 12 months.

##### ***Determining 150% of the poverty line for the borrower's family size***

Annual poverty line guidelines, as defined by Section 673(2) of the Community Service Block Grant Act, are available at <https://aspe.hhs.gov/poverty-research>

Note that an unborn child may be included if that child will be born during the year the borrower certifies family size or for the period the borrower requests an economic hardship deferment.

## Deferments for All Perkins Loans (continued)

### Military service deferment

A borrower who is serving on active duty in the U.S. armed forces or performing qualifying National Guard duty may defer repayment (principal or interest) on a Perkins Loan if the duty is in connection with a war, military operation, or national emergency.

The deferment is extended 180 days for qualifying periods of service that include October 1, 2007, or that begin on or after that date. This additional period is available each time a borrower is demobilized at the conclusion of qualifying service. This additional 180-day deferment may not be granted without documentation supporting the borrower's claim of end-of-military-service date.

A borrower may not be reimbursed for any payments made by or on behalf of a borrower during a period for which the borrower qualified for a deferment.

34 CFR 674.34(h)

### 13-month post-active duty deferment

Effective October 1, 2007, borrowers who are members of National Guard or Armed Forces Reserve, and members of the armed forces who are in retired status, are eligible for a 13-month period of deferment on repayment of their Perkins loans following the completion of their active duty military service if they were enrolled in a postsecondary school at the time of, or within six months prior to, their activation. Reserve or retired members of the Armed Forces may qualify for both the post-active duty deferment and for the military service deferment, and may receive both deferments if eligible. If a student receives both deferments, the overlapping periods of deferment will run concurrently.

A borrower returning from active duty who is in a grace period is not required to waive the grace period to use the 13-month post-active duty student deferment. If the borrower reenrolls in post-secondary school (at least half time) prior to the expiration of the 13-month period, the deferment ends on the date the student reenrolls.

Unlike the military service deferment described above, students receiving the active duty student deferment need not be activated in connection with a war, national emergency, or other military operation.

For purposes of the post-active duty student deferment, "active duty" has the same meaning as in Section 101(d)(1) of Title 10, United States Code, but does not include active duty for training or attendance at a service school/academy.

### **Deferments for All Perkins Loans (continued)**

Members of the National Guard may qualify for this deferment for Title 32 full-time National Guard duty under which a governor is authorized, with the approval of the President to Secretary of Defense, to order a member to state active duty and the activities of the National Guard are paid for by federal funds; or for state active duty under which a governor activates National Guard personnel based on state statute or policy, and the activities of the National Guard are paid for by state funds. Active duty does not include a borrower who is serving full-time in a permanent position with the National Guard, unless the borrower is reassigned as part of a call-up to active duty service.

34 CFR 674.34(i)

### **Auditing Classes and Deferments**

A Perkins borrower must be a “regular student” enrolled at least half time at an eligible school in order to qualify for an in-school deferment on a Perkins Loan.

Note that a FFEL or DL borrower who is not enrolled in an eligible program can still get an in-school deferment as long as he or she is enrolled at least half time at an eligible school.

Classes that a student is auditing may not be counted toward the student’s enrollment status in determining whether the student is enrolled half time. For example, at a school where six credits is considered half time, a student who is enrolled in three credits for a grade and three credits as an audit would not be considered a half-time student for the purpose of an in-school deferment.

## Deferments for All Perkins Loans (continued)

### Deferments for Older Perkins Loans (34 CFR 674.35, 674.36, and 674.37)

For information on deferment provisions exclusive to loans made before October 1, 1980, see the 1994–1995 Federal Student Financial Aid Handbook or 34 CFR 674.37.

For information on deferment provisions exclusive to loans made before July 1, 1993, see the 2015–2016 Federal Student Financial Aid Handbook.

### Definitions for Purposes of Military Service Deferments

*Active duty* means full-time duty in the active military service of the United States, except that it does not include active duty for training or attendance at a service academy.

*Military operation* means a contingency operation that is designated by the Secretary of Defense as an operation in which members of the armed forces are or may become involved in military actions, operations, or hostilities against an enemy of the United States or an opposing military force; or results in the call to or retention on active duty of members of the uniformed services.

*National Guard duty* means training or other duty, other than inactive duty, when called to active service authorized by the President of the United States or Secretary of Defense (and paid for with federal funds) for a period of more than 30 consecutive days in connection with a war, national emergency, or other military operation.



**Perkins Cancellation**

34 CFR 674 Subpart D  
 34 CFR 674.51-62  
 Special definitions  
 34 CFR 674.51  
 Procedures  
 34 CFR 674.52

**When a borrower who is already receiving cancellation benefits becomes eligible for another type of cancellation**

**TIP**

Perkins borrowers who become eligible for an additional cancellation category continue along in the same cancellation progression if both categories are cancelled at the same rate.

However, if a borrower becomes eligible for a cancellation category with a different rate of progression, the borrower “begins at the year one cancellation rate” for the new cancellation category.

34 CFR 674.52(g)(2)

**GENERAL CANCELLATION PROVISIONS*****Application for cancellation***

The following cancellation application procedures apply to any loan under this program.

The borrower applies for cancellation of his or her loan by obtaining the appropriate cancellation form from the business or student loan office of the school that made the loan (or from the school’s billing service if it uses one). The borrower submits the form to the school, along with any supporting documentation the school requests, by the deadline the school establishes.

A school must determine, based on the borrower’s documentation, whether the borrower is entitled to have any portion of his or her loans cancelled. **This responsibility cannot be delegated.** For information on documentation, see the appropriate cancellation category in this section.

***Concurrent deferment***

Schools must automatically defer loans during periods of service for which schools also grant loan cancellation. Borrowers do not need to apply for these automatic deferments.

***ED reimbursement to schools***

If funds are appropriated, the Department will reimburse each school every award year for the principal and interest cancelled from its Perkins Loan Fund for all of the cancellation provisions except for death, total and permanent disability, bankruptcy, and closed school discharge.

If it receives reimbursement, a school must deposit the amount reimbursed in its Perkins Loan Fund.

For more information and a full Q&A on reimbursing amounts cancelled, see Dear Colleague Letter CB-05-08.

**Note:** Congress has not appropriated funds for Perkins cancellation reimbursement for a number of years.

## ***Break in service due to a condition covered by the Family and Medical Leave Act (FMLA)***

A borrower who is unable to complete an academic year of eligible teaching service due to a condition covered under the FMLA may still qualify for a cancellation if the borrower completes at least one half of the academic year, and the borrower's employer considers the borrower to have fulfilled the contract requirements for the academic year for purposes of salary increases, tenure, and retirement.

For a cancellation type that requires 12-consecutive months of eligible service, a borrower who is unable to complete the year of eligible service due to a condition covered under the FMLA may still qualify for the cancellation if the borrower completes at least 6 months of eligible service.

## **CANCELLATION RESTRICTIONS**

### ***Prior service and payments prior to cancellation***

Schools may not cancel any portion of a loan for services the borrower performed either before the date the loan was disbursed or during the enrollment period covered by the loan.

Schools may not refund payments made during a period for which the borrower qualified for a cancellation, unless the borrower made the payment because of the school's error. To reduce the chance of error, a school should keep the borrower informed of any new cancellation benefits.

### ***Defaulted loans***

A school may cancel a defaulted loan if the only reason for the default was the borrower's failure to file a cancellation request on time. If the loan has already been **accelerated**, only eligible service performed **prior** to the date of acceleration can be considered for cancellation. A borrower is not entitled to cancellation for any eligible service performed **after** the date of acceleration.

### ***AmeriCorps recipients***

Schools may not grant cancellation of a Perkins Loan or National Direct Student Loan (NDSL) to a borrower who has received a national service education award for volunteer service with AmeriCorps (Subtitle D of Title I of the National and Community Service Act of 1990).

### **Reimbursements Before July 1, 1972**

Schools are not required to deposit reimbursements for loans made prior to July 1, 1972, into the Perkins Loan fund. These reimbursements are considered institutional funds.

### **Cancellation restrictions**

Prior service  
34 CFR 674.62(a)  
Payment refund  
34 CFR 674.62(b)  
Defaulted loans  
34 CFR 674.52(d)  
AmeriCorps (National Community Service)  
34 CFR 674.52(f)

### **Perkins Cancellation Extended to Loans Prior to October 7, 1998**

The Higher Education Act was amended to extend all service cancellations to Perkins, NDSL, and Defense Loan borrowers who were previously ineligible. However, only periods of qualifying service performed on or after October 7, 1998, are eligible for cancellation benefits if the borrower was not previously eligible.

### Cancellation Rates for Military, Teachers/Public Servants

With the exception of the early childhood education and volunteer service cancellations, the cancellation rate per completed year of qualifying full-time service is

- first and second years: 15% of the original principal loan amount, plus the interest that accrued during the year;
- third and fourth years: 20% of the original principal loan amount, plus the interest that accrued during the year; and
- fifth year: 30% of the original principal loan amount, plus any interest that accrued during the year.

A “year of service” consists of 12 consecutive months of service, except for teaching service, where the borrower must teach full-time for a full academic year or its equivalent. For cancellation rates for early childhood education and volunteer service, please see the corresponding sections in this chapter.

## ELEMENTARY AND SECONDARY TEACHER CANCELLATION

### Teacher cancellation

34 CFR 674.53

Teacher definition 34 CFR 674.51(y)

Academic year definition 34 CFR 674.51(a)

Part-time 34 CFR 674.52(b)(1)

Low-income schools 34 CFR 674.53(a)

Teaching children & adults 34 CFR 674.53(f)

Field of expertise 34 CFR 674.53(c)

Special education 34 CFR 674.53(b)

Schools must cancel up to 100% of a Perkins Loan if the borrower has served full-time in a *public or private nonprofit elementary or secondary school system* as

- ♦ a teacher in a *low-income school* or a *low-income educational service agency*;
- ♦ a teacher in a *teacher shortage field*, including mathematics, science, foreign languages, or bilingual education or any other field of expertise that is determined by a state education agency to have a shortage of qualified teachers in that state; or
- ♦ a *special-education* teacher, including teachers of infants, toddlers, children, or youth with disabilities.

### Teacher Cancellation Directory

You can identify schools and educational service agencies that are eligible for Perkins deferment and cancellation by searching the *Teacher Cancellation Low-Income Directory* online at: [www.tcli.ed.gov](http://www.tcli.ed.gov).

Information about the compilation and publication of the directory is available from the Campus-Based Call Center at: 1-877-801-7168 or by email at [cbfob@ed.gov](mailto:cbfob@ed.gov).

The cancellation form that the borrower files must be signed by an official in the school system or agency to certify the borrower's service. Eligibility for teacher cancellation is based on the duties presented in an official position description, not on the position title. To receive a cancellation, the borrower must be *directly employed* by the school system.

To qualify for cancellation based on any of these three conditions, a borrower must teach full-time for a complete academic year or its equivalent. See the next page for exceptions covering special cases, such as illness or pregnancy.

### **Cancellation for teaching in a low-income school or educational service agency**

A borrower qualifies for this cancellation by teaching full-time in a low-income public or other nonprofit elementary or secondary school, or by teaching full-time for an *educational service agency* (ESA) listed in the *Teacher Cancellation Low-Income Directory* (see sidebar).

For cancellation purposes, a borrower employed by an ESA may be teaching

- ♦ at a location operated by the ESA (such as a stand-alone school that serves students from many different school districts), or
- ♦ in a conventional elementary and secondary school (such as a vocational education teacher employed by the ESA to teach courses in several different secondary schools).

If a borrower is teaching at a school that is on the list one year but not in subsequent years, the borrower may continue to teach in that school and remain eligible to receive a cancellation for service in that school.

#### **Cancellations for Teachers at Educational Service Agencies**

These cancellations are for Perkins, for eligible service that includes August 14, 2008, or begins on or after that date, regardless of whether the cancellation category appears on the borrower's promissory note.

HEA section 465(a)

Definition of *educational service agency*: A regional public multi-service agency authorized by state law to develop, manage, and provide services or programs to local educational agencies as defined in section 9101 of the Elementary and Secondary Education Act of 1965, as amended.

HEA sections 481(e) and (f)

#### **BIA Schools**

All elementary and secondary schools operated by the Bureau of Indian Affairs (BIA) are considered to qualify as schools serving low-income families for the purpose of teacher cancellations of Perkins Loans. Elementary and secondary schools operated on reservations by Indian tribal groups under contract with the BIA are also considered to qualify for this purpose.

34 CFR 674.53(a)(5)

## Who Is a Teacher?

A teacher is a person who provides students direct classroom teaching, classroom-type teaching in a non-classroom setting, or educational services directly related to classroom teaching (e.g., school librarian, guidance counselor).

It is not necessary for a teacher to be certified or licensed to receive cancellation benefits. However, the employing school must consider the borrower to be a full-time professional for the purposes of salary, tenure, retirement benefits, and so on. In other words, to qualify, the borrower should accrue the same benefits as teachers who are licensed and/or certified.

A supervisor, administrator, researcher, or curriculum specialist is not a teacher unless he or she primarily provides direct and personal educational services to students.

Under certain conditions, a teacher's aide may be considered eligible for teacher cancellation. The teacher's aide must meet the definition of a "full-time teacher." He or she must have a bachelor's degree and be a professional recognized by the state as a full-time employee rendering direct and personal services in carrying out the instructional program of an elementary or secondary school.

Volunteer teachers are not professionally employed on a full-time basis and, therefore, are not eligible for teacher cancellation benefits.

### Teaching full-time for a full academic year

The borrower must teach full-time for a full academic year or its equivalent. There is no requirement that a teacher must teach a given number of hours a day to qualify as a full-time teacher; the employing school is responsible for determining whether or not the individual is considered to be a full-time teacher.

An "academic year or its equivalent" for teacher cancellation purposes is defined as one complete school year. Two half-years count as an academic year if they are complete, consecutive, from different school years (excluding summer session), and generally fall within a 12-month period.

A borrower who cannot complete the academic year because of illness or pregnancy may still qualify for cancellation if he or she has completed the first half of the academic year and has begun teaching the second half, as long as the borrower's employer considers the borrower to have fulfilled his or her contract for the academic year.

### Teaching part-time at multiple schools

Schools must grant cancellation to a borrower who is simultaneously teaching part-time in two or more schools *if* an official at one of the schools where the borrower taught certifies that the borrower taught full-time for a full academic year. For example

- under a consortium agreement, a borrower may be employed by the consortium and teach at member schools;
- two or more schools, by mutual agreement, could arrange to have one school employ the borrower on a full-time basis and then hire out his or her services to the other school(s) involved in the agreement; or

- a borrower can be considered to have been a full-time teacher for an academic year if he or she can obtain appropriate certifications that he or she has taught in half-time teaching positions for a complete academic year in two elementary schools, two secondary schools, or a combination of the two school levels.

A school may refuse cancellation for simultaneous teaching in two or more schools if it cannot easily determine that the teaching was full-time.

### Teaching in a private school

A borrower may receive teacher cancellation for services performed in a private elementary or secondary school or academy, if the private school or academy has established its nonprofit status with the Internal Revenue Service (IRS) and if the school or academy is providing elementary or secondary education according to state law. The school or academy does not necessarily need to be accredited for a borrower teaching there to qualify for teacher cancellation.

### Teaching in a school system

To be eligible for cancellation, a borrower employed in a public or other nonprofit elementary or secondary school system or an educational service agency must be directly employed by the school system.

### Teaching in a preschool or pre-kindergarten program

A borrower may receive teacher cancellation for teaching service performed in a preschool or pre-kindergarten program if the state considers the program to be a part of its elementary education program. A low-income-school-directory designation that includes pre-kindergarten or kindergarten does not suffice for a state determination of program eligibility. The school must check with the state superintendent of public instruction to determine whether these programs are part of the state elementary education program.

### Teaching both children and adults

If the borrower teaches both children and adults, the majority of students must be children for the borrower to qualify for cancellation.

### Job Corps teachers

Teaching service performed in a Job Corps project does not qualify for Perkins Loan cancellation unless the teaching is conducted in an elementary or secondary school or school system.

### How are low-income schools and ESAs selected?

The Department selects elementary/secondary schools and educational service agencies (ESAs) for inclusion in the *Teacher Cancellation Low-Income Directory* in consultation with each state's educational agency based on these criteria:

- The school or ESA is in a school district that qualifies for "Title I" federal funding based on the large number of low-income families in the district.
- More than 30% of the school's or ESA's enrollment is made up of children from low-income families.

### Teaching in a teacher shortage field by field of expertise

34 CFR 674.53(c)

### *Cancellation for teaching in a teacher shortage field*

A school must cancel up to 100% of the outstanding balance on a borrower's Perkins loan for a full-time teacher in a field of expertise that is determined by a state education agency to have a shortage of qualified teachers in that state. A borrower who is teaching in science, mathematics, foreign language, or bilingual education qualifies for cancellation even if the state has not designated the subject area in which he or she is teaching as a shortage area.

For a borrower to be considered as teaching in a field of expertise that has a shortage of teachers, the majority of classes taught must be in that field of expertise.

### *Cancellation for teaching in special education*

A school must cancel up to 100% of the outstanding balance on a borrower's Perkins loan for a full-time special education teacher of infants, toddlers, children, or youth with disabilities. The teaching service must be performed in a public or other nonprofit elementary or secondary school system.

### Teaching in special education

34 CFR 674.53(b)

#### Defining Children and Youth with Disabilities

For children and youth from ages 3 through 21 who require special education and related services because they have disabilities as defined in Section 602(3) of the Individuals with Disabilities Education Act (the Act), the Act defines a "child with a disability" as one (1) with mental retardation, hearing impairments (including deafness), speech or language impairments, visual impairments (including blindness), serious emotional disturbance, orthopedic impairments, autism, traumatic brain injury, other health impairments, or specific learning disabilities; and (2) who, by reason thereof, needs special education and related services.

For a child age 3 through 9, the term a "child with a disability" may include, at the discretion of a state and local education agency, individuals (1) experiencing developmental delays, as defined by the state and as measured by appropriate instruments and procedures, in one or more of the following areas: physical development, cognitive development, communication development, social or emotional development, or adaptive development; and (2) who, by reason thereof, require special education and related services.

A person performing one of the following services is considered a teacher if the service is part of the educational curriculum for handicapped children

- ♦ speech and language pathology and audiology,
- ♦ physical therapy,
- ♦ occupational therapy,
- ♦ psychological and counseling services,
- ♦ recreational therapy.

To qualify for cancellation, the borrower must be licensed, certified, or registered by the appropriate state education agency for that area in which he or she is providing related special educational services.



## PUBLIC SERVICE CANCELLATIONS

### Nurse or medical technician cancellation

Schools must cancel up to 100% of a Perkins Loan if the borrower has served full-time as a *nurse* or *medical technician* providing health care services. The borrower must provide health care services *directly* to patients.

For purposes of this cancellation

- ♦ a *nurse* is a licensed practical nurse, a registered nurse, or other individual who is licensed by the appropriate state agency to provide nursing services.
- ♦ a *medical technician* is an allied health professional (working in fields such as therapy, dental hygiene, medical technology, or nutrition) who is certified, registered, or licensed by the appropriate state agency in the state in which he or she provides health care services; an allied health professional is someone who assists, facilitates, or complements the work of physicians and other specialists in the health care system. (See Dear Colleague Letter CB-08-14 for a more detailed discussion of the eligibility requirements for the medical technician cancellation.)

A school may refuse a request for cancellation based on a claim of simultaneous employment as a nurse or medical technician in two or more facilities if it cannot determine easily from the documentation supplied by the borrower that the combined employment is full-time. However, it shall grant the cancellation if one facility official certifies that a nurse or medical technician worked full-time for a full year.

### Firefighter cancellation

A school must cancel up to 100% of the outstanding balance on a borrower's Perkins loan for service that includes August 14, 2008, or begins on or after that date, as a full-time *firefighter*.

A firefighter is an individual who is employed by a federal, state, or local firefighting agency to extinguish destructive fires or provide firefighting related services such as conducting search and rescue, providing hazardous materials (HAZMAT) mitigation, or providing community disaster support and, as a first responder, providing emergency medical services.

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### Cancellation

Definitions 34 CFR 674.51

Employment cancellations 34 CFR 674.56

- Nurse or medical technician (a)
- Child or family services agency (b)
- Early intervention (disability) services (c)
- Firefighter (d)
- Faculty at tribal college or university (e)
- Librarian with master's degree at Title I school (f)
- Speech pathologist with master's degree at Title I school (g)

Law enforcement 34 CFR 674.57

Early Childhood Education 34 CFR 674.58

Military service 34 CFR 674.59

Volunteer service 34 CFR 674.60

Cancellation reimbursement

34 CFR 674.63(b)

GEN-05-15

Sec. 465(a)(2)(I) of the HEA

Campus-Based E-Announcement,

EA 2017-5-19

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### Firefighter cancellation

34 CFR 674.56(d)



## Early Intervention Definitions

### Infants and toddlers with disabilities

An individual under three years of age who needs early intervention services because the individual (1) is experiencing developmental delays, as measured by appropriate diagnostic instruments and procedures, in one or more of the areas of cognitive development, physical development, communication development, social or emotional development, and adaptive development; or (2) has a diagnosed physical or mental condition which has a high probability of resulting in developmental delay.

The term may also include, at a state's discretion, individuals under age three, who are at risk of having substantial developmental delays if early intervention services are not provided. (Section 632(5) (A) of the Individuals with Disabilities Education Act.)

### Qualified professional provider of early intervention services

A provider of services, as defined in Section 632 of the Individuals with Disabilities Education Act. Section 632 of that act defines early intervention services as developmental services that

- are provided under public supervision;
- are provided at no cost except where federal or state law provides for a system of payments by families, including a schedule of sliding fees;
- are designed to meet the developmental needs of an infant or toddler with a disability in one or more of the following areas: physical development, cognitive development, communication development, social or emotional development, or adaptive development;
- meet the standards of the state in which they are provided;
- are provided by qualified personnel, including special educators; speech and language pathologists and audiologists; occupational therapists; physical therapists; psychologists; social workers; nurses; nutritionists; family therapists; orientation and mobility specialists; and pediatricians and other physicians;
- to the maximum extent appropriate, are provided in natural environments, including the home, and community settings in which children without disabilities participate; and
- are provided in conformity with an individualized family service plan adopted in accordance with Section 636 of the Individuals with Disabilities Education Act.

Under the Individuals with Disabilities Education Act, early intervention services include family training, counseling, and home visits; special instruction; speech-language pathology and audiology services; occupational therapy; physical therapy; psychological services; service coordination services; medical services only for diagnostic or evaluation purposes; early identification, screening, and assessment services; health services necessary to enable the infant or toddler to benefit from the other early intervention services; social work services; vision services; assistive technology devices and services; and transportation and related costs necessary to enable infants, toddlers, and their families to receive other services identified in Section 632(4).

## Early intervention (for disabled infants/toddlers) cancellation

Schools must cancel up to 100% of the outstanding balance on a Perkins Loan if the borrower has been employed full-time as a *qualified professional provider of early intervention services* in a public or other non-profit program. “Early intervention services” are provided to infants and toddlers with disabilities.

This cancellation applies to Perkins loans made on or after July 23, 1992. Perkins loans made prior to that date are eligible for cancellation for early intervention service that is performed on or after October 7, 1998.

## Child or family services cancellation

A school must cancel up to 100% of the outstanding balance on a Perkins Loan made on or after July 23, 1992, for service as a full-time employee in a public or private nonprofit child or family service agency. To qualify for cancellation, the borrower must be providing services directly and exclusively to *high-risk children* from *low-income communities* and to the families of these children, or supervising the provision of such services. Any services provided to the children’s families must be secondary to the services provided to the children.

For purposes of this cancellation

- ♦ *high-risk children* are defined as individuals under the age of 21 who are low-income or at risk of abuse or neglect; have been abused or neglected; have serious emotional, mental, or behavioral disturbances; reside in placements outside their homes; or are involved in the juvenile justice system.
- ♦ *low-income communities* are communities in which there is a high concentration of children eligible to be counted under Title I rules (see sidebar on next page).

The types of services a borrower may provide to qualify for a child or family service cancellation include child care and child development services; health, mental health, and psychological services; and social services. The Department has determined that an elementary or secondary school system, a hospital, or an institution of higher education is not an eligible employing agency. When reviewing child or family service cancellation requests, Perkins schools and their servicers should refer to Dear Colleague Letter GEN-5-15 which provides a more detailed discussion of the eligibility requirements for child or family service cancellations.

## Early intervention cancellation

34 CFR 674.56(c)

### Cancellation Rates

With the exception of cancellations for Head Start, military, and volunteer service, the cancellation rate per completed academic year of full-time teaching or for each year of otherwise qualifying full-time service is

- 15% of the original principal loan amount—plus the interest that accrued during the year—for each of the first and second years;
- 20% of the original principal loan amount—plus the interest that accrued during the year—for each of the third and fourth years; and
- 30% of the original principal loan amount—plus any interest that accrued during the year—for the fifth year.

A year of service consists of 12 consecutive months of service.

## Child or family services cancellation

34 CFR 674.56(b)

## Tribal college or university cancellation

34 CFR 674.56(e)

### Tribal College or University

An institution that

1. qualifies for funding under the Tribally Controlled Colleges and Universities Assistance Act of 1978 (25 U.S.C. 1801 et seq.) or the Navajo Community College Assistance Act of 1978 (25 U.S.C. 640a note); or
2. is cited in section 532 of the Equity in Education Land Grant Status Act of 1994 (7 U.S.C. 301 note)  
34 CFR 674.51(bb).

You can find a list of accredited Tribal Colleges and Universities at

<https://sites.ed.gov/whiaiane/tribes-tcus/tribal-colleges-and-universities/>

**Speech pathologist cancellation**

34 CFR 674.56(g)

**Title I schools**

Part A of Title I of the Elementary and Secondary Education Act of 1965, as amended, provides funding for schools with high numbers or high percentages of poor children

Elementary and Secondary Education Act  
See 20 U.S.C. 70

**Librarian cancellation**

34 CFR 674.56(f)

***Faculty member at a tribal college or university cancellation***

An institution must cancel up to 100 percent of the outstanding balance on a borrower's Federal Perkins loan for service that includes August 14, 2008, or begins on or after that date, as a full-time faculty member at a Tribal College or University.

***Speech pathologist (at Title I school) cancellation***

A school must cancel up to 100% of the outstanding balance on a borrower's Perkins Loan for full-time employment that includes August 14, 2008, or begins on or after that date, as a speech pathologist.

A speech pathologist is someone who evaluates or treats disorders that affect a person's speech; language; cognition; voice; swallowing and the rehabilitative or corrective treatment of physical or cognitive deficits/disorders resulting in difficulty with communication, swallowing, or both; and who has obtained a postgraduate academic degree awarded after the completion of an academic program of up to six years in duration (excluding a doctorate or professional degree).

To qualify for cancellation, the speech pathologist must have a master's degree and be working exclusively with Title I-eligible schools.

***Librarian (at Title I school) cancellation***

A school must cancel up to 100% of the outstanding Perkins balance for service that includes August 14, 2008, or begins on or after that date, as a full-time librarian.

The librarian must have a master's degree. A *librarian with a master's degree* is defined as an information professional trained in library or information science who has obtained a postgraduate academic degree in library science awarded after the completion of an academic program of up to six years in duration (excluding a doctorate or professional degree).

The librarian must be employed

- ♦ in an elementary school or secondary school that is eligible for Title I assistance (see sidebar), or
- ♦ by a public library that serves a local school district that contains one or more Title I-eligible schools.

**LAW ENFORCEMENT CANCELLATIONS*****Law enforcement or corrections officer cancellation***

A school must cancel up to 100% of a Perkins Loan made on or after November 29, 1990, if the borrower performs full-time service for 12 consecutive months as a law enforcement or corrections officer for an eligible employing agency.

**Law enforcement/corrections cancellation**

34 CFR 674.57(a)

To establish the eligibility of a borrower for the law enforcement or corrections officer cancellation provision, the school must determine that (1) the borrower's employing agency is eligible and that (2) the borrower's position is essential to the agency's primary mission.

A local, state, or federal agency is an eligible employing agency if it is publicly funded and its activities pertain to crime prevention, control, or reduction, or to the enforcement of the criminal law. Such activities include but are not limited to

- ♦ police efforts to prevent, control, or reduce crime or to apprehend criminals;
- ♦ activities of courts and related agencies having criminal jurisdiction;
- ♦ activities of corrections, probation, or parole authorities; and
- ♦ the prevention, control, or reduction of juvenile delinquency or narcotic addiction.

Agencies that are primarily responsible for enforcement of civil, regulatory, or administrative laws are ineligible. However, because the activities of many divisions and bureaus within local, state, and federal agencies pertain to crime prevention, control, or reduction, or to the enforcement of criminal law, a sub-unit within a larger, non-law enforcement agency may qualify as a law enforcement agency for purposes of a law enforcement cancellation.

For the borrower's position to be considered essential to the agency's primary mission, he or she must be a full-time employee of an eligible agency and a sworn law enforcement or corrections officer or person whose principal responsibilities are unique to the criminal justice system and are essential in the performance of the agency's primary mission. The agency must be able to document the employee's functions. Examples of positions that are considered essential to a law enforcement agency's primary mission and that are unique to the criminal justice system include prosecuting attorneys whose primary responsibilities are to prosecute criminal cases on behalf of law enforcement agencies, forensic scientists, and latent fingerprint examiners.

Individuals whose official responsibilities are supportive, such as those that involve typing, filing, accounting, office procedures, purchasing, stock control, food service, transportation, building, equipment, or grounds maintenance are not eligible for the law enforcement or correction officer loan cancellation, regardless of where these functions are performed.

#### **Law Enforcement Cancellation for Loans Prior to November 29, 1990**

A school must cancel up to 100% of the outstanding loan balance on a Perkins Loan made prior to November 29, 1990, for law enforcement or correction officer service performed on or after October 7, 1998, if the cancellation benefits provided under this section are not included in the terms of the borrower's promissory note. The service must be full-time and be performed over 12 consecutive months.

## PUBLIC DEFENDER CANCELLATION

### Public defender cancellation

34 CFR 674.57(b)

#### Eligible public/community defender organizations

34 CFR 674.51(e)

Section 3006A(g)(2) of Title 18, U.S.C.

You can find a list of eligible federal public defender and community defender organizations at

[http://fd.org/sites/default/files/cja\\_resources/defenderdir.pdf](http://fd.org/sites/default/files/cja_resources/defenderdir.pdf)

### Military service cancellation

34 CFR 674.59

#### Military cancellations for earlier loans

- A school must cancel up to 50% of a Defense loan made after April 13, 1970, for the borrower's full-time active service starting after June 30, 1970, in the U.S. armed forces.
- A school must cancel up to 50% of the outstanding balance on a Perkins Loan for active duty service that ended before August 14, 2008, as a member of the U.S. armed forces in an area of hostilities that qualifies for special pay under section 310 of title 37 of the United States Code (see below).

The cancellation rate is 12.5% of the original loan principal, plus the interest on the unpaid balance accruing during the year of qualifying service, for each complete year of qualifying service.

#### Special pay in areas of hostilities/imminent danger

The Department of Defense maintains an updated listing of hostile fire/imminent danger pay (IDP) areas. See the Defense Finance and Accounting website at

[https://www.dfas.mil/militarymembers/payentitlements/specialpay/hfp\\_idp.html](https://www.dfas.mil/militarymembers/payentitlements/specialpay/hfp_idp.html)

Full-time attorneys employed in *federal public defender organizations* or *community defender organizations* (see sidebar), are eligible for public defender cancellations.

For purposes of this cancellation:

- ♦ a *community defender organization* is a defender organization established in accordance with section 3006A(g)(2)(B) of Title 18, United States Code.
- ♦ a *federal public defender organization* is a defender organization established in accordance with section 3006A(g)(2)(A) of Title 18, United States Code.

Cancellations are for eligible service that includes August 14, 2008, or begins on or after that date, regardless of whether information on the expansion of this cancellation category appears on the borrower's promissory note.

## MILITARY SERVICE CANCELLATION

A school must cancel up to 100% of the outstanding balance of a Perkins loan for a full year of active duty service in the U.S. armed forces in an *area of hostilities* or an *area of imminent danger* that qualifies for special pay (see sidebar). The "U.S. armed forces" are the U.S. Army, Navy, Air Force, Marine Corps, or Coast Guard.

The borrower's commanding officer must certify the borrower's service dates. Active duty service for less than a complete year or a fraction of a year beyond a complete year does not qualify. A complete year of service is 12 consecutive months.

Areas that qualify for hostile fire/imminent danger pay are listed on the Web (see sidebar). Note that the borrower does not have to serve the full 12 months of active duty service in such an area to qualify for the cancellation. If a borrower is on active duty in such an area for any part of a month, that month counts toward the borrower's eligibility for a military cancellation.

The cancellation rate is the standard progression for up to 100% cancellation: 15% for the first and second year of qualifying service, 20% for the third and fourth year of qualifying service, and 30% for the fifth year of qualifying service. The year of qualifying service must include August 14, 2008, or begin on or after that date.

## EARLY CHILDHOOD EDUCATION CANCELLATION (PRE-KINDERGARTEN, CHILD CARE, HEAD START)

A school must cancel up to 100% of a Perkins Loan if the borrower has served

- ♦ as a *full-time staff member* in a *Head Start* program; or
- ♦ as a *full-time staff member* of a *pre-kindergarten* or *child care program* that is licensed or regulated by the state.

For purposes of these early education cancellations

- ♦ *Head Start* is a preschool program carried out under the Head Start Act (subchapter B, chapter 8 of Title VI of Pub. L. 97–35, the Budget Reconciliation Act of 1981, as amended; formerly authorized under section 222(a)(1) of the Economic Opportunity Act of 1964). (42 U.S.C. 2809(a)(1)).
- ♦ *pre-kindergarten program* is a state-funded program that serves children from birth through age six and addresses the children's cognitive (including language, early literacy, and early mathematics), social, emotional, and physical development.
- ♦ *child care program* is a program that is licensed or regulated by the state and provides child care services for fewer than 24 hours per day per child, unless care in excess of 24 consecutive hours is needed due to the nature of the parents' work.
- ♦ *full-time staff member* is someone who is regularly employed in a full-time professional capacity to carry out the educational part of the early education program.

For the pre-kindergarten and child care program cancellation, the period of service must include August 14, 2008, or begin on or after that date.

In order to qualify for cancellation, the early education program in which the borrower serves must operate for a complete academic year or its equivalent. The borrower's salary may not exceed the salary of a comparable employee working in the local educational agency of the area served by the early education program.

The cancellation rate is 15% of the original loan principal, plus the interest on the unpaid balance accruing during the year of qualifying service for each complete academic year or its equivalent of full-time teaching service.

An official of the early education program should sign the borrower's cancellation form to certify the borrower's service.

### Early childhood cancellation

34 CFR 674.58

### Early Education Cancellations for Defense Loans

*Head Start.* An institution must cancel up to 100% of the outstanding balance on a Defense Loan for service as a full-time staff member in a Head Start program performed on or after October 7, 1998, if the cancellation benefits provided under this section are not included in the terms of the borrower's promissory note.



## VOLUNTEER SERVICE CANCELLATION

Schools must cancel up to 70% of a Perkins Loan if the borrower has served as a Peace Corps or AmeriCorps VISTA (under Title I, Part A of the Domestic Volunteer Service Act of 1973) volunteer. An authorized official of the Peace Corps or AmeriCorps VISTA program must sign the borrower's cancellation form to certify the borrower's service.

AmeriCorps volunteers do not qualify for this cancellation unless their volunteer service is with AmeriCorps VISTA. An AmeriCorps VISTA volunteer may only qualify for this cancellation if the AmeriCorps VISTA volunteer elects not to receive a national service education award for his or her volunteer service. The AmeriCorps VISTA volunteer must provide appropriate documentation showing that the volunteer has declined the AmeriCorps national service education award.

Schools apply cancellation for volunteer service in the following increments:

- ♦ 15% of the original principal loan amount—plus any interest that accrued during the year—for each of the first and second 12-month periods of service; and
- ♦ 20% of the original principal loan amount—plus any interest that accrued during the year—for each of the third and fourth 12-month periods of service.

For Peace Corps Volunteers, the 12-month periods of service include any pre-enrollment training the volunteer receives at the Peace Corps post.

## DISCHARGING PERKINS LOANS

### *Discharge due to death*

**NEW**

A school must discharge the unpaid balance of a borrower's Defense, NDSL, or Federal Perkins loan, including interest, if the borrower dies. The school must discharge the loan on the basis of the following:

- ♦ An original or certified copy of the death certificate
- ♦ An accurate and complete photocopy of the original or certified copy of the death certificate
- ♦ An accurate and complete original or certified copy of the death certificate that is scanned and submitted electronically or sent by facsimile transmission
- ♦ Verification of the borrower's death through an authoritative Federal or State electronic database approved for use by the Department

Under exceptional circumstances and on a case-by-case basis, the chief financial officer of the institution may approve a discharge based upon other reliable documentation of the borrower's death.

### *Discharge for total and permanent disability (nonveterans)*

If a Perkins borrower contacts a school to request a total and permanent disability (TPD) discharge, the school must tell the borrower to notify the Department of the borrower's intent to apply for a TPD discharge. The school must provide the borrower with the information needed for the borrower to contact the Department. When the borrower notifies the Department of the borrower's intent to apply for a TPD discharge, the Department provides the borrower with the information necessary to apply for the discharge. The Department identifies all FSA loans held by the borrower and notifies the holders of those loans of the borrower's intent to apply for a TPD discharge. The Department directs the loan holders to suspend collection activity on the borrower for a period not to exceed 120 days. The Department informs the borrower of the suspension of collection activity and tells the borrower that the suspension of collection activity will end after 120 days if the borrower does not submit a TPD discharge application within that time.

### **Discharge for death of a borrower**

34 CFR 674.61

### **Total and permanent disability loan discharge**

34 CFR 674.61

DCL GEN 06-14

#### **TPD Discharge Application**

You can find additional information on TPD at

<https://www.disabilitydischarge.com/>

You can find forms at

<https://www.disabilitydischarge.com/Forms>

#### **A TPD Discharge Based on SSA Disability**

For a borrower applying for a TPD discharge based on an SSA disability determination, the documentation from the SSA must show that the borrower qualifies for SSA disability benefits and that the borrower's next SSA disability review will be within five to seven years. If the notification of eligibility for disability benefits that borrower received from the SSA doesn't contain a medical review period, the borrower can obtain this information by calling his or her local SSA office or by calling 1-800-772-1213 and requesting a Benefits Planning Query.



### Assignment Procedures due to Total and Permanent Disability Discharge

Accounts submitted for assignment must be mailed via overnight or private courier service. To safeguard Personally Identifiable Information (PII) the Department has developed safeguards related to data exchanged between the Department and our data exchange partners. The new requirements for packaging TPD-related documents bring TPD packaging standards in line with the Department's established policies on mailing (PII).

For complete directions see Total and Permanent Disability Discharge Assignment Guide for Federal Perkins Loans at

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

Electronic Announcement posted October 31, 2016.

The borrower must submit to the Department a TPD discharge application certified by a physician who is a doctor of medicine or osteopathy legally authorized to practice in a state. By signing the TPD discharge application, the physician certifies that the borrower is totally and permanently disabled, as defined in the Perkins Loan Program regulations (see sidebar). The borrower must submit the application to the Department within 90 days of the date the physician signed it. Alternatively, instead of having a physician certify the TPD discharge request, a borrower may provide the Department with documentation from the Social Security Administration (SSA) showing that the borrower qualifies for SSA disability benefits and that the borrower's next SSA disability review will be within five to seven years.

After the Department receives the TPD application, the Department notifies the borrower's FSA loan holders that the application has been received and directs the loan holders to maintain the suspension of collection activity while the Department reviews the application.

During its review of the TPD application, the Department may ask the borrower to provide additional medical evidence and may arrange for an additional review of the borrower's condition by an independent physician at no expense to the borrower.

If the Department determines that the borrower does not qualify for a total and permanent disability discharge, the Department notifies the borrower and the school resumes collection on the loan.

### Definitions of "Totally and Permanently Disabled"

Total and permanent disability is defined as

The condition of an individual who—  
(1) Is unable to engage in any *substantial gainful activity*\* by reason of any medically determinable physical or mental impairment that

- (i) Can be expected to result in death;
- (ii) Has lasted for a continuous period of not less than 60 months; or
- (iii) Can be expected to last for a continuous period of not less than 60 months; or

(2) Has been determined by the Secretary of Veterans Affairs to be unemployable due to a service-connected disability.

34 CFR 674.51(aa)

\* *Substantial gainful activity* is defined as "a level of work performed for pay or profit that involves doing significant physical or mental activities, or a combination of both."

34 CFR 674.51

If the Department determines that the borrower qualifies for a total and permanent disability discharge, it directs the school to assign the loan to the Department (see sidebar for ED servicers) within 45 days. After the Department receives the assignment, it discharges the loan and notifies the borrower and the school that the loan has been discharged. The notification to the borrower will explain to the borrower that the loan will be reinstated if, within three years of the date the Department granted the discharge, the borrower

- ♦ has annual earnings from employment that exceed 100% of the poverty guideline for a family of two.
- ♦ receives a new TEACH Grant or a new loan under the Perkins or Direct Loan programs, except for a Direct Consolidation Loan that includes loans that were not discharged.
- ♦ fails to ensure that the full amount of any disbursement of an FSA loan or TEACH grant received before the discharge date is returned to the loan holder or the Department, as applicable, within 120 days of the disbursement date.

- ♦ receives a notice from the SSA that the borrower is no longer disabled or that the borrower's continuing disability review will no longer be the five- to seven-year period.

If your school receives payments from a borrower after the loan has been assigned to the Department, you must return the payments to the sender and notify the borrower that there is no need to make payments on the loan after it has been discharged due to TPD, unless the loan is reinstated or the Department directs the borrower otherwise.

### ***Discharge for service-connected disability (veterans)***

A veteran's Perkins Loan will be discharged if the veteran is unemployable due to a service-connected disability, as determined by the Department of Veterans Affairs (VA). Beginning July 1, 2013, to qualify for discharge of a Perkins loan based on a disability determination by the VA, a veteran must submit a completed copy of the TPD discharge application to the Department. The veteran does not need to obtain a physician's certification or provide documentation of eligibility for SSA disability benefits with the application. Instead, the veteran must include documentation from the VA showing that the veteran is unemployable due to a service-connected disability. The veteran will not be required to provide any additional documentation related to his or her disability.

If the Department determines that the documentation from the Department of Veterans Affairs indicates that the veteran meets the conditions for a service-related disability discharge, the Department directs the school to discharge the loan. Schools are not required to assign the loan, because loans discharged based on VA disability documentation are not subject to the post-discharge monitoring period or to reinstatement. The school must return to the sender any loan payments received on or after the effective date of the determination by the Department of Veterans Affairs that the veteran is unemployable due to a service-connected disability. (Any such loan payments must be returned to the person who made them.)

If the Department determines that the documentation from the Department of Veterans Affairs does not indicate that the veteran meets the conditions for the discharge, the Department directs the school to resume collection on the loan. The Department also notifies the veteran that the TPD discharge request has been denied and informs the veteran that even if he or she does not qualify for a service-connected disability discharge, the veteran may reapply for a TPD discharge if he or she meets the general definition of "totally and permanently disabled" (see previous topic).

### Closed School Search

Each week, the Department publishes a spreadsheet you can use to determine if one of your students has a loan from a school that might be eligible for a closed-school discharge. You can find the spreadsheet at

[www2.ed.gov/offices/OSFAP/PEPS/closedschools.html](http://www2.ed.gov/offices/OSFAP/PEPS/closedschools.html)

Additional information can be obtained from

Ombudsman Group  
U.S. Department of Education  
UCP-3/MS 5144  
830 First Street, NE  
Washington, D.C. 20202-5144  
Phone: 202-377-3800  
Fax: 202-275-0549  
Email: [fsaombudsmanoffice@ed.gov](mailto:fsaombudsmanoffice@ed.gov)

### Closed school discharge

Your school must assign to Federal Student Aid (FSA) Collections all its outstanding Perkins loans if it is closing.

FSA Collections may discharge a Perkins Loan made on or after January 1, 1986, if the borrower is unable to complete his or her program of study due to the closure of the school. FSA Collections must reimburse borrowers for payments made voluntarily or by forced collection.

A borrower whose loan was in default and then discharged under this provision is not considered to have been in default and reestablishes FSA eligibility, provided he or she meets all other eligibility criteria. FSA Collections reports the discharge to the credit bureaus to which the previous loan status was reported.

**Note:** A borrower is also eligible for a closed school discharge if the borrower withdrew from the school not more than 120 days before the school closed (or longer in exceptional circumstances).

### Closed-School Discharge

34 CFR 674.33(g)

#### ED may cancel a Perkins loan when a borrower's other Title IV loans have been cancelled

34 CFR 674.33(g)(3)

#### Right of recovery from third parties

34 CFR 674.33(g)(7)

#### Discharge procedures

34 CFR 674.33(g)(8)

#### Determining borrower qualification for discharge

34 CFR 674.33(g)(4)

#### Discharge not available for fraudulently obtained loans

34 CFR 674.33(g)(5)

#### Borrower must cooperate in enforcement actions on discharged loans

34 CFR 674.33(g)(6)

### Discharge for spouses of victims of 9/11 attacks

Schools must discharge the outstanding balance of a Perkins Loan that was made to the spouse of an eligible public servant who died or became permanently and totally disabled due to injuries suffered in the September 11, 2001, terrorist attacks. An eligible public servant is a police officer, firefighter, or other safety or rescue personnel, or a member of the armed forces, who died or became permanently and totally disabled due to injuries suffered in the September 11, 2001, terrorist attacks.

This discharge is only available on Perkins Loan amounts that were owed on September 11, 2001. The law doesn't authorize refunding of any payments made on a loan prior to the loan discharge date.

## Bankruptcy discharge

The basic actions a school must take when a borrower files for bankruptcy protection are covered here, in Dear Colleague Letter GEN-95-40 (dated September 1995), in GEN-15-13 (dated July 2015), and in 34 CFR 674.49. For the best advice on how to proceed when a borrower files for bankruptcy protection, a school should consult its attorney. The school should ensure that the attorney is aware of the due diligence provisions that apply to school actions.

If a school receives notice that a borrower has filed for bankruptcy protection, it must immediately stop collection efforts (outside of the bankruptcy proceeding itself). If the borrower has filed under Chapter 12 or 13 of the Bankruptcy Code, the school must also suspend collection efforts against any endorser.

The school must file a proof of claim in the bankruptcy proceeding unless, in the case of a proceeding under Chapter 7 of the Bankruptcy Code, the notice of meeting of creditors states the borrower has no assets.

Effective for bankruptcies filed on or after October 8, 1998, a borrower who receives a general discharge in bankruptcy does not, by that order, obtain a discharge of a loan that has been in repayment for seven years or more at the time of the bankruptcy filing. For these bankruptcies, a student loan is discharged by a general discharge order only if the borrower also obtains a court ruling that repayment of the loan would impose an undue hardship on the borrower and his or her dependents.

## Resuming/terminating billing and collection

A school must resume billing and collection procedures after the borrower has received a discharge under 11 U.S.C. 727, 11 U.S.C. 1141, 11 U.S.C. 1228, 11 U.S.C. 1328(a), or U.S.C. 1328(b) unless the court has found that repayment would impose an undue hardship. If the court has found that repayment would impose an undue hardship, the school must terminate all collection action and write off the loan. If a school receives a repayment from a borrower after a loan has been discharged, it must deposit that payment in its Perkins Loan Fund.

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## Bankruptcy laws and regulations

11 U.S.C. 1307, 1325, and 1328(b) are laws applicable to bankruptcy cases in general, not just to Perkins Loan bankruptcy cases.

11 U.S.C. 1307 concerns the dismissal of a Chapter 13 case or the conversion of a case filed under Chapter 13 to a Chapter 7 proceeding.

11 U.S.C. 1325 concerns the confirmation by the court of a borrower's proposed repayment plan.

11 U.S.C. 1328(b) allows a debtor who fails to complete the payments required under the plan to obtain a discharge if conditions are met. A school should consult an attorney for the best advice in bankruptcy cases.

DCL GEN-15-13

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## Bankruptcy and student eligibility

See *Volume 1* for a discussion of how bankruptcy affects a student's eligibility for aid.

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## Bankruptcies filed before October 8, 1998

See previous editions of the *FSA Handbook* for discussion of bankruptcies filed before October 8, 1998.

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## Chapter 13 bankruptcies

34 CFR 674.49(e)

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## Resuming billing and collection

34 CFR 674.49(f)

## Bankruptcy Procedures

### Responding to complaint for determination of dischargeability

Customarily, a borrower obtains a judicial ruling of undue hardship by filing an adversary proceeding—a lawsuit within the bankruptcy proceeding—in the bankruptcy court seeking to prove undue hardship. If a borrower files an adversary proceeding to prove undue hardship under 11 U.S.C. 523(a) (8), the school must decide, on the basis of reasonably available information, whether repayment under the current repayment schedule or under any adjusted schedule would impose undue hardship on the borrower and his or her dependents.

If the school concludes that repayment would not impose an undue hardship, the school must then decide whether the expected costs of opposing the discharge would exceed one-third of the total amount owed on the loan (principal, interest, late charges, and collection costs). If the expected costs do not exceed one-third of the total amount owed on the loan, the school must oppose the discharge and, if the borrower is in default, seek a judgment for the amount owed. If necessary, the school may compromise a portion of that amount to obtain a judgment.

If the school opposes a request for determination of dischargeability on the ground of undue hardship, a school may also file a complaint with the court to obtain a determination that the loan is not dischargeable and to obtain a judgment on the loan.

Schools that are state instrumentalities may, as an alternative, oppose an undue hardship claim by asserting their immunity from suit in bankruptcy. As with any other action in defending student loans in bankruptcy, the school should consult with counsel and should ensure that counsel is fully informed about recent changes in Department regulations to support this position.

### Procedures for responding to proposed Chapter 13 repayment plan

Under Chapter 13, the borrower may generally obtain an adjustment in repayment terms of all of his/her debts. The borrower proposes a repayment plan that addresses whether and how each debt or class of debts will be paid. If the court approves the plan, creditors are bound to the terms of that plan for duration of the plan, typically three to five years. If the borrower's repayment plan proposes full repayment of the Perkins Loan, including all principal, interest, late charges, and collection costs on the loan, no response from the school is required. The school is also not required to respond to a proposed repayment plan that does not include any provision in regard to the Perkins Loan obligation or to general unsecured claims.

If the borrower proposes to repay less than the total amount owed and that the remainder be discharged, the school must determine, from its own records and court documents, the amount of the loan dischargeable under the plan. The school does this by subtracting the total proposed payments from the total amount owed. The school must also determine from its own records and court documents whether the borrower's proposed repayment plan meets the requirements of 11 U.S.C. 1325.

### Bankruptcy Procedures (continued)

Two of those requirements are particularly relevant:

- First, the amount to be paid under the plan must at least equal the amount the school would receive if the debtor had filed under Chapter 7 rather than under Chapter 13.
- Second, to pay creditors under the plan, the debtor must use all income not needed to support himself or herself and his or her dependents.

If the borrower's proposed repayment plan does not meet the requirements of 11 U.S.C. 1325, the school must object to the confirmation by the court of the proposed plan, unless the cost of this action will exceed one-third of the dischargeable loan debt; if the cost will exceed one-third of the dischargeable debt, the school is not required to take this action.

Also, when a borrower proposes to repay less than the total amount owed, the school must determine whether grounds exist under 11 U.S.C. 1307 for the school to move to have the Chapter 13 case either dismissed or converted to a Chapter 7 proceeding. Such grounds include a borrower's failure to (1) begin payments under the plan within the required time (usually 30 days from the date the plan is filed), (2) file a proposed plan in a timely manner, or (3) pay required court fees and charges.

If the school determines that such grounds do exist, the school must move to dismiss or convert the Chapter 13 case to a Chapter 7 proceeding, unless the cost of this action will exceed one-third of the dischargeable loan debt.

After a borrower's proposed repayment plan is confirmed by the court, the school must monitor the borrower's compliance with the repayment plan. If the school determines from its own records or court documents that the borrower either has not made the payments required under the plan or has filed for a hardship discharge under 11 U.S.C. 1328(b), the school must determine whether grounds exist under 11 U.S.C. 1307 to dismiss the case filed under Chapter 13 or to convert the Chapter 13 case to a Chapter 7 proceeding or whether the borrower is entitled to a hardship discharge. If grounds do exist under 11 U.S.C. 1307 to dismiss or convert a Chapter 13 case, the school must move to convert or dismiss the case. If a borrower has not demonstrated entitlement to a hardship discharge under 11 U.S.C. 1328(b), the school must oppose the hardship discharge request, unless the costs of these actions, when added to those already incurred, would exceed one-third of the dischargeable debt.





# Perkins Loan Billing, Collection, and Default



*When a Perkins Loan enters repayment, your school must follow the due diligence requirements of Subpart C of the Perkins regulation (34 CFR 674.41-50). You must afford a borrower maximum opportunity to repay a Federal Perkins Loan. Specific steps the school must take include (but are not limited to) billing the borrower, sending overdue notices, and conducting address searches if the borrower cannot be located. If billing procedures fail, a school must take more aggressive collection steps such as hiring a collection firm and/or litigating. Default in the Federal Perkins Loan Program is defined as “the failure of a borrower to make an installment payment when due or to comply with other terms of the promissory note or written repayment agreement.”*

## COMMUNICATION WITH BORROWERS

While billing and collection activities involve many steps, there are general requirements that your school must adhere to at all times. You must inform the borrower of all program changes that affect his or her rights and responsibilities. Your school must respond promptly to the borrower’s inquiries. If a borrower disputes a loan and you cannot resolve the dispute, you must explain the services provided by the Department’s Federal Student Aid (FSA) Ombudsman Group.

Keeping current information on a borrower makes it easier for the school to know when repayment must begin and where to send billing notices. The various offices at the school—the admissions, business, alumni, placement, financial aid, and registrar’s offices, and others, as necessary—must provide any available information about the borrower that is relevant to loan repayment, including

- ♦ the borrower’s current enrollment status;
- ♦ the borrower’s expected graduation or termination date;
- ♦ the date the borrower officially withdraws, drops below half-time enrollment, or is expelled; and
- ♦ the borrower’s current name, address, telephone number, Social Security number, and driver’s license number (if any).

### Communication requirements

#### General due diligence

34 CFR 674.41(a)

#### Coordination of information

34 CFR 674.41(b)

#### Contact with borrower

34 CFR 674.42

#### Disclosure of repayment information

34 CFR 674.42(a)

#### Exit counseling

34 CFR 674.42(b)

#### Contact during initial and post-deferment grace periods

34 CFR 674.42(c)

For information about maintaining billing and collection records, see *Chapter 1*.

## REQUIREMENTS AT END OF ENROLLMENT

### Exit interviews

Contact with the borrower becomes even more important as the borrower's last day of attendance approaches. As described in Chapter 3, your school must conduct exit interviews with borrowers shortly before borrowers graduates or drops below half-time enrollment (if known in advance).

### Contact during grace periods

**A school must contact the borrower during both initial and post-deferment grace periods to remind him or her when repayment will begin or resume.**

Your school must contact the borrower three times during the nine-month initial grace period. The school must also contact the borrower twice during any six-month post-deferment grace period. The chart on the next page shows the length of initial and post-deferment grace periods for Perkins Loans.

#### Grace period contact

34 CFR 674.42(c)

#### When Payments Are Made

Any funds collected as a result of billing the borrower are to be

- deposited in an account insured by the federal government, or
- secured by collateral of reasonable equivalent value, or
- invested in low-risk income-producing securities.

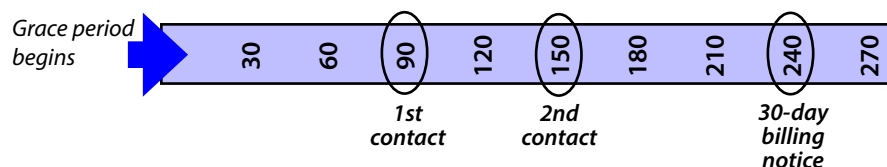
Your school must exercise the level of care required of a fiduciary with regard to these deposits and investments.

- ♦ The *first contact* must be *90 days* after any grace period (initial or post-deferment) begins. The school must remind the borrower that he or she is responsible for repaying the loan. The school must also inform the borrower of the amount of principal and interest, as projected for the life of the loan, and the due date and amount of the first (or next) payment.
- ♦ The *second contact* must be *150 days* after any grace period begins, when the school must again remind the borrower of the due date and amount of the first (or next) payment. For six-month grace periods, the second contact should coincide with the first billing notice. These two notices may be combined.
- ♦ For nine-month grace periods, the school must make a *third contact 240 days* after the grace period begins to remind the borrower of the date and amount of the first payment. This contact should coincide with the first billing notice. Again, the school may combine the two notices.

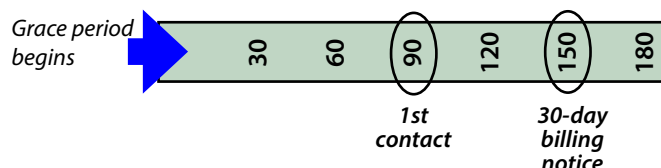


## Contact with Borrower During Grace Period

### 9-month grace period



### 6-month grace period



Applicable grace periods	Perkins	NDSL on/after 10/1/80	NDSL before 10/1/80
initial grace period	9 months	6 months	9 months
post-deferment period	6 months	6 months	6 months

## BILLING PROCEDURES AND OVERDUE PAYMENTS

Billing refers to that series of actions the school routinely performs to notify borrowers of payments due, remind them of overdue payments, and demand payment of overdue amounts.

The school may choose a coupon payment system as its method of billing. The school must send the coupons to the borrower at least 30 days before the first payment is due when using a coupon payment system.

If the school does not use a coupon system, it must, at least *30 days* before the first payment is due, send the borrower a statement of account and a written notice giving the name and address of the party to which payments should be sent. The statement of account includes information such as the total amount borrowed, the interest rate on the loan, and the amount of the monthly payment. For subsequent payments, the school must send the borrower a statement of account at least *15 days* before the due date of the payment.

If the borrower chooses to make payments through electronic funds transfer, the school doesn't have to send the borrower a statement of account before each payment. However, the school must send the borrower an annual statement of account that lists the required amounts and dates of repayment, as well as any information tracking the status of any late charges.

### Billing procedures

34 CFR 674.43

### Procedures required when payments are overdue

34 CFR 674.43(b), (c), & (d)

### Optional late charge

34 CFR 674.31(b)(5)(i) & (ii)

34 CFR 674 Appendix E

Schools are authorized but not required to assess a late charge for an overdue payment on a loan. Late charges may be assessed only during the billing process.

### *Notices of overdue payments*

If a payment is overdue and you have not received a request for forbearance, deferment, or cancellation, you must send the borrower



- ♦ the first overdue notice 15 days after the payment due date;
- ♦ the second overdue notice 30 days after the first overdue notice;
- ♦ the final demand letter 15 days after the second overdue notice.

In this notice, you must tell the borrower the amount of any late charge your school has assessed (see discussion under Late charges later in this chapter), and whether your school has

- ♦ added the charge amount to the principal amount as of the first day on which the payment was due; or
- ♦ demanded payment of the charge no later than the first day on which the next installment is due.

You may skip the first two letters and send just the final demand letter within 15 days after a payment is overdue if the borrower's repayment history has been unsatisfactory or if you can reasonably conclude the borrower does not intend to repay the loan or to seek forbearance, deferment, or cancellation. A borrower is considered to have an unsatisfactory repayment history if he or she has failed to make payments when due; has failed to request deferment, forbearance, or cancellation on time; or has received a final demand letter.

The final demand letter must inform the borrower that unless the school receives a payment or a request for forbearance, deferment, or cancellation within 30 days of the date of the letter, the school will refer the account for collection or litigation and will report the default to a credit bureau as required by law.

If mail sent to a borrower is returned undelivered, or if the borrower fails to respond, you must take steps to locate the borrower. These steps must include



- ♦ reviews of borrower records in all appropriate school offices;
- ♦ reviews of telephone directories or inquiries to directory assistance at the borrower's last known address, and attempting to reach the borrower by phone; and
- ♦ attempting to locate and contact the borrower by electronic means.

## Contacting the borrower by telephone



If the borrower does not respond to the final demand letter within 30 days of the date the letter was sent, you must try to contact him or her by telephone before beginning collection procedures. As telephone contact is often very effective in getting the borrower to begin repayment, one call may avoid the more costly procedures of collection.

You should make at least two attempts to reach the borrower on different days and at different times. If the borrower has an unlisted telephone number, you must make reasonable attempts to obtain it by contacting sources such as the borrower's employer or parents. If you are still unsuccessful, you should document the contact attempts in your files.

## Address searches



The school must take the following steps to locate the borrower if communications are returned undelivered (other than unclaimed mail)

- ♦ review the records of all appropriate school offices, and
- ♦ review printed or web-based telephone directories or check with information operators in the area of the borrower's last known address.

If these methods are unsuccessful, you must continue efforts to locate the borrower, using either school personnel or a commercial skip-tracing firm. If you use school personnel, you must employ and document efforts comparable to commercial skip-tracing firms. If you still can't locate the borrower after taking these steps, you must continue to make reasonable attempts at least twice a year until the loan is recovered through litigation, the account is assigned to the Department, or the account is written off.

## Late charges

The assessment of late charges on an overdue Perkins Loan borrower is now optional. A school that adopts a policy of assessing late charges on an overdue Perkins Loan must impose them on all borrowers with overdue payments. The charge is based either on the actual costs the school incurs in taking steps to obtain the overdue amount or on average costs incurred in similar attempts with other borrowers. The charge may not exceed 20% of the installment payment most recently due.

If a school opts to charge late fees, the school may charge late fees only during the billing process; a school may not charge late fees once the school begins collections procedures. A school must also impose a late charge if a borrower's payment is overdue and the borrower has not filed a complete request for forbearance, deferment, or cancellation on time. (To be complete, the request must contain enough information for you to confirm the borrower's eligibility.)

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### Telephone contact required

34 CFR 674.43(f)

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### Contacting the endorser—loans Before July 23, 1992

For loans made prior to July 23, 1992, the school must also try to collect the amount owed from any endorser of the loan. It may help to send the endorser a copy of the final demand letter that was sent to the borrower and copies of all subsequent notices, including demand/collection letters. For loans made on or after July 23, 1992, an endorser is no longer required.

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### Address search

34 CFR 674.44

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### Late charges

34 CFR 674.43(b)(5)

You may add a late charge to the principal amount of the loan as of the first day the payment was due. Alternatively, you may include the charge with the next payment that is scheduled after the date you notify the borrower that the charge must be paid in full by the next payment due date. You must inform the borrower of the late charge, preferably in the first overdue payment notice.

For a borrower who repays the full amount of past-due payments, the school may waive any late charges that were imposed.

### *Loan acceleration*

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#### **Loan acceleration**

34 CFR 674.31(b)(8)

34 CFR 674.43(e)

You may *accelerate* a loan if the borrower misses a payment or does not file for deferment, forbearance, or cancellation on time. Acceleration means immediately making payable the entire outstanding balance, including interest and any applicable late charges or collection fees.

Because this marks a serious stage of default, the borrower should have one last chance to bring his or her account current. For that reason, if the school plans to accelerate the loan, it must send the borrower a written acceleration notice at least 30 days in advance. The notice may be included in the final demand letter or in some other written notice sent to the borrower.

If the loan is accelerated, you must send the borrower another notice to inform him or her of the date the loan was accelerated and the total amount due. Remember that acceleration is an option, not a requirement. However, if you plan to assign the loan to the Department for collection, you must first accelerate the loan. Once a loan has been accelerated, the borrower loses all rights to deferment and cancellation benefits for qualifying service performed *after* the date of acceleration.

## DEFAULT REDUCTION ASSISTANCE PROGRAM

The Default Reduction Assistance Program (DRAP) assists schools in contacting defaulted Federal Perkins Loan (Perkins Loan) borrowers. A letter is sent from the Department of Education (the Department) on official letterhead to defaulted Perkins Loan borrowers. It explains the serious consequences of default including the inability to obtain other federally-supported financial assistance, withholding of federal and state income tax refunds, salary garnishment, and damage to credit history. It also encourages borrowers to contact the school to initiate repayment arrangements.

Perkins Loan Default Reduction Assistance Program (DRAP)  
EA November 15, 2013

**Default** The failure of a borrower to make an installment payment when due or to comply with other terms of the promissory note or written repayment agreement.

Through DRAP, a school or its third party servicer can

- ◆ submit borrower information for letters to be printed and mailed;
- ◆ maintain borrower information;
- ◆ edit DRAP contact information without the Department's intervention;
- ◆ run a report that assists in monitoring the letters mailed to borrowers;
- ◆ run a report that assists in tracking the total number of letter requests submitted; and
- ◆ determine if a letter was returned to the Department as “undeliverable” and if an address has been determined to be invalid.

Participation in the DRAP process is voluntary. There is no cost to the school.

### Timing

The DRAP process is most effective when used during the 30-day period when the school is waiting for the defaulted borrower to respond to the final demand letter. Do not request default reduction assistance once the account has been referred to a collection agency.



### *Accessing and initiating the DRAP process*

All related functions of the DRAP process are accessed via the eCampus-Based (eCB) website. To access the DRAP section of the eCB Website, log in at [cbfisap.ed.gov](http://cbfisap.ed.gov) and then select the “DRAP” link on the top navigation bar. From that point, follow the instructions for performing the identified functions.

To initiate the process, a school or its third party servicer logs in to the eCB Website and enters information about borrowers who have defaulted on their Perkins Loans. The information may be entered for each borrower or it may be uploaded from a file. Following submission of this information, a letter will be printed on the Department’s letterhead and mailed by the Department to each borrower. The letter encourages the borrower to contact the school to initiate repayment arrangements.

If a third-party servicer that submits DRAP data on behalf of a school does not also provide Fiscal Operations Report and Application to Participate (FISAP) services for the school, the servicer must be granted read-only access to the FISAP by the school’s Destination Point Administrator (DPA).

All eCB access now requires Two-Factor Authentication (TFA) using an FSA token. (See the Electronic Announcement dated June 26, 2014, Subject: Implementation of Electronic Signature and Two-Factor Authentication for eCampus-Based Website in August 2014).

Third-party servicer staff must obtain the FSA token through their company’s DPA, but must request DRAP-only access for each school being serviced. Each school’s DPA will authorize or deny DRAP-only access.

### *Address information and undeliverable mail*

The DRAP system will only accept physical addresses for borrowers to be contacted. P.O. Boxes will not be accepted.

The Department will send only one DRAP letter to each address provided by a school. “Undeliverable” letters are returned to the Department where they are logged into the eCB DRAP module along with the reason they were returned. Schools will need to log in periodically to review and print reports of undeliverable letters. Schools are encouraged to provide updated addresses. When an address is updated, a DRAP letter is sent to the new address.

## Contact information

For additional information about DRAP, contact the Campus-Based Call Center at 877-801-7168. Customer service representatives are available Monday through Friday from 8:00 a.m. to 8:00 p.m. (ET).

You may also email [cbfob@ed.gov](mailto:cbfob@ed.gov).

## COLLECTION PROCEDURES

If a borrower is unresponsive and required billing procedures have been exhausted, your school will need to institute more intensive collections procedures. You must make a first effort to collect using either your own personnel or hiring a collection firm. Before beginning collection procedures, you must attempt all of the required contact methods described previously. You must also report the borrower to at least one nationwide credit bureau. If the school's personnel or the collection firm cannot convert the account to regular repayment status by the end of 12 months (or if the borrower does not qualify for forbearance, deferment, or cancellation), you have two options—either to litigate or to make a second effort to collect.

A second effort to collect requires one of the following procedures:

1. If you first attempted to collect by using your own personnel, you must refer the account to a collection firm unless state law prohibits doing so.
2. If you first used a collection firm, you must attempt to collect by using your own personnel or by using a different collection firm, or the school must submit the account to the Department for assignment. If a collection firm (retained by a school as part of its second effort to collect) cannot place an account into regular repayment status by the end of 12 months (or if the borrower does not qualify for forbearance, deferment, or cancellation), the firm must return the account to the school.

If you are unsuccessful in your effort to place the loan in repayment after a second collection effort, you must continue to make yearly attempts to collect from the borrower until

- ♦ the loan is recovered through litigation;
- ♦ the account is assigned to the Department; or
- ♦ the loan is written off.

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### Collection procedures

34 CFR 674.45

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### Credit bureau reporting

34 CFR 674.45(a)(1) & (b)

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### First effort to collect

34 CFR 674.45(a)(2)

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### Litigation or second effort

34 CFR 674.45(c)

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### Annual efforts to collect

34 CFR 674.45(d)

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### Requirements after one year

34 CFR 674.45(c)

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### Costs assessed to borrower

34 CFR 674.45(e)

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### Treatment of collected funds

34 CFR 674.43(g)

34 CFR 674.45(f)

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### Preemption of state law

34 CFR 674.45(g)

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### Ombudsman information

34 CFR 674.45(h)

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## Use of contractors for billing and collection

34 CFR 674.48

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### School is ultimately responsible

34 CFR 674.48(a) & (b)

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### School responsibilities when using contractors

34 CFR 674.48(c) & (d)

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### Limitations on use of contractors

34 CFR 674.48(e)

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### School requirements of contractors

34 CFR 674.48(f)

**Credit bureau reporting**

34 CFR 674.45(a)(1) &amp; (b)

***Credit bureau reporting***

A school must report an account to credit bureaus as being in default when a borrower fails to respond to the final demand letter or the telephone contact. You must report the default to any one national credit bureau or to an affiliated credit bureau that transmits credit information to one of the three national credit bureaus with which the Department has an agreement (see box below).



You must report any subsequent changes in the status of the borrower's account to the same national credit bureau, using the procedures required by that credit bureau. You must respond within one month to any inquiry received from any credit bureau about reported loan information. Finally, you must notify all credit bureaus to which you reported the default when a borrower makes consecutive, on-time monthly payments.

Reporting all credit history is essential to ensure that current and future creditors have complete information regarding the credit obligations of the borrower.

Under the Fair Credit Reporting Act, a borrower may appeal the accuracy and validity of the information reported to the credit bureau and reflected in the credit report. You should be prepared to handle the appeal and make necessary corrections to the report as required by the provisions of the Act.

**National Credit Bureaus**

The Department has entered into an agreement with the three national credit bureaus listed below:

Trans Union Corporation	1-800-888-4213
Experian (formerly TRW)	1-888-397-3742
Equifax	1-800-685-1111

National credit bureaus charge fees for their services. These fees differ from credit bureau to credit bureau. Credit bureaus affiliated with the above credit bureaus may have different fees from those of the national credit bureaus. The Department does not keep a list of these affiliated bureaus and their fees.

The Privacy Act authorizes disclosure of a borrower's account information to creditors without the borrower's consent if the disclosure helps enforce the terms and conditions of the loan. You may also make such disclosures about loans that haven't defaulted and/or are being disbursed.

## Ceasing collection

A school may cease collection activity on defaulted accounts with balances of less than \$200 (including outstanding principal, accrued interest, collection costs, and late charges) if the school carried out the required due diligence and if the account has had no activity for four years. Although interest will continue to accrue and may put the account over \$200, you will not have to resume collection activity if you document that you ceased collection activity when the account was under \$200. The borrower will remain responsible for repaying the account, including accrued interest. The borrower will still be in default and ineligible for FSA funds and the account will still be included in the school's cohort default rate, if applicable.

## ALTERNATIVES TO LITIGATION

To avoid litigation, a school may offer to waive collection costs as incentive for repayment. You may waive *all* collection costs on a loan if the borrower makes a lump-sum payment of the entire amount outstanding, including principal and interest; a written repayment agreement is not required. You may also waive a *portion* of the collection costs on a loan if the borrower agrees to pay a corresponding portion of the loan within 30 days of entering into a written repayment agreement with the school. For example, if the borrower repays half of the outstanding balance on a loan within 30 days of the agreement, the school may waive half of the collection costs incurred through the date of that payment. The amount of waived collection costs may be charged to the Perkins Loan fund.

You may compromise the repayment of a defaulted loan if you have fully complied with all due diligence requirements and the borrower pays, in a single lump-sum payment, at least 90% of the outstanding principal balance, plus all interest and collection fees. The federal share of the compromise repayment must bear the same relation to the school's share as the Federal Capital Contribution (FCC) bears to the Institutional Capital Contribution (ICC).

A borrower may rehabilitate a defaulted Perkins Loan by making nine consecutive, on-time, monthly payments. A rehabilitated Perkins Loan is returned to regular repayment status. (See *Default Status and Perkins Eligibility* later in this chapter.)

A borrower may include his or her defaulted Perkins Loan in a Direct Consolidation Loan. The amount eligible for consolidation is the sum of the unpaid principal, accrued unpaid interest, late charges, and outstanding collection costs. A defaulted loan that is being repaid under a court order remains in default status until paid and is not eligible for consolidation.

## Ceasing collections cites

### Ceasing collections

34 CFR 674.47(g)

### Account write-off

34 CFR 674.47(h)

### Litigation

34 CFR 674.46

### Compromise

34 CFR 674.33(e)

### Collection costs waiver

34 CFR 674.47(d)

## Consolidating defaulted Perkins Loans

To get information about obtaining a Direct Consolidation Loan-contact the Loan Consolidation Call Center at 1-800-557-7392 or by visiting [StudentAid.gov/consolidation](http://StudentAid.gov/consolidation).

## Writing off accounts

You may write off a defaulted account with a balance of less than **\$25** (including outstanding principal, accrued interest, collection costs, and late charges).

You may also write off a defaulted account with a balance of less than **\$50** (including outstanding principal, accrued interest, collection costs, and late charges) if, for a period of two years, you have billed the borrower as required by 34 CFR 674.43(a) and 674.47(h).

If you write off an account, the borrower is relieved of all payment obligations, and you must deduct the amount of the account from the Federal Perkins Loan fund. If you receive a payment from a borrower after you have written off the loan, you must deposit that payment into the Fund.

## LITIGATION

### Elimination of defense of infancy

HEOA Section 486

Schools in the Perkins Loan Program are not subject to a defense raised by a borrower on the basis of a claim of infancy under state law. See General Provisions relating to student assistance.

### Deceased student and family estate

HEOA section 486 | HEA section 484A  
Effective date: August 14, 2008

The HEOA of 2008 provides that a deceased student, a deceased student's estate, or the estate of such student's family does not have to repay any federal student aid, including interest, collection costs, or other charges.

### Litigation

34 CFR 674.46

If the collection procedures prescribed in the regulations do not result in the repayment of a loan, the school must review the account for litigation once every two years. If all the conditions are met, the school must litigate. The conditions are

- ♦ the total amount owed, including outstanding principal, interest, collection costs, and late charges, on all the borrower's Perkins Loans at the school is more than \$500;
- ♦ the borrower can be located and served with process;
- ♦ the borrower either has enough assets attachable under state law to cover a major portion of the debt or enough income that can be garnished under state law to satisfy a major portion of the debt over a reasonable period of time (defining a "reasonable period of time" is left to the school);
- ♦ the borrower does not have a defense that will bar judgment for the school; and
- ♦ the expected cost of litigation (including attorneys' fees) does not exceed the amount that can be recovered from the borrower.

Even if all the above conditions are not met, your school may still choose to sue a defaulted borrower. If the borrower has a partial defense that may bar judgment for the school, you must weigh the costs of litigation against the costs of recovery based on the amount of the enforceable portion of the debt. No federal or state statute of limitation can apply to enforcement actions to collect Perkins Loans.

Your school must attempt to recover from the borrower all litigation costs, including attorneys' fees, court costs, and other related costs, to the extent permitted by applicable state law. You are also required to try to recover all costs previously incurred in the collection of overdue payments if the borrower has not paid these collection costs; a percentage of these unrecovered costs may be charged to the fund as explained later in this chapter under *Billing and Collection Costs*.

When a school has filed suit to collect a defaulted Perkins Loan and a judgment has been rendered on the loan, the borrower is obligated to repay only the amount of the judgment obtained on the loan. A defaulted loan that is being repaid under court order remains in default status until paid and is not eligible for consolidation. After a judgment is satisfied on the defaulted loan, the student is again eligible for future awards under these programs if all other eligibility criteria are met.

## DEFAULT STATUS AND PERKINS ELIGIBILITY

A borrower who is in default on an FSA loan is not eligible for any further FSA loans unless they have regained eligibility. (See *Volume 1* for guidance on how a student may regain eligibility). However, a borrower who satisfies any of the conditions that remove a Perkins Loan from his or her school's cohort default rate calculation becomes eligible for additional Perkins Loans only (see *FISAP Instruction Booklet*).

### Regaining eligibility for federal student aid

To the extent that he or she is otherwise eligible, a borrower who is in default on a Perkins Loan may regain eligibility for federal student aid by making satisfactory repayment arrangements on his or her defaulted loan. (See also *Volume 1*.) For purposes of regaining eligibility for federal student aid, a borrower who is in default on a Perkins Loan can regain eligibility by making six on-time, consecutive, monthly payments on the defaulted loan. **A borrower may regain eligibility only once in this way.** After a borrower has made six on-time, consecutive, monthly payments on the defaulted loan the school must appropriately update the borrower's loan status code in the National Student Loan Data System. Note that a borrower who makes six payments in the course of rehabilitating a defaulted loan but does not seek additional Title IV aid will not be considered to have used the one time opportunity to regain eligibility. **Note that a borrower whose Perkins Loan is in default also can regain eligibility for federal student aid by consolidating his or her Perkins Loan.**

**On Time** A rehabilitation payment is on time if it is a full monthly payment, as determined by the school, and made within 20 days of the due date.

#### Involuntary Payments

The term "involuntarily" includes payments obtained by income tax offset, garnishment, income asset execution, or pursuant to a judgment.

### Perkins Loan rehabilitation

Your school must establish a rehabilitation program and notify all borrowers with defaulted loans of the option to rehabilitate and the advantages of rehabilitation. A borrower may rehabilitate a defaulted Perkins Loan by making **full monthly payments, as determined by the school, each month for nine consecutive months and requesting rehabilitation.**

Borrowers may not rehabilitate loans on which the holder has obtained a judgment. However, your school may enter into an agreement with the borrower that provides the borrower with some of the benefits of rehabilitation. For example, your school could promise to vacate the current judgment and request the removal of the default from the borrower's credit report after the borrower makes nine consecutive payments and signs a new promissory note.

#### Rehabilitation of a Perkins Loan

34 CFR 674.39



The rehabilitation payments should be sufficient to satisfy the outstanding balance on the loan within a 10-year repayment period. A school may not establish a loan rehabilitation policy that requires defaulted Perkins Loan borrowers to pay the full outstanding balance of the loan within the nine-month rehabilitation period, if such payments would create a hardship for the borrower. In most cases, such a policy would require a borrower to make excessively high monthly payments, and would, in effect, deny the borrower access to a statutorily mandated benefit of the Perkins Loan Program.

Within 30 days of receiving the borrower's last on-time consecutive monthly payment, you must

- ♦ return the borrower to regular repayment status;
- ♦ treat the first of the nine consecutive payments as the first payment in a new 10-year repayment schedule; and
- ♦ instruct any credit bureau to which the default was reported to remove the default from the borrower's credit history.

After rehabilitating a defaulted loan and returning to regular repayment status, a borrower regains the benefits and privileges of the promissory note, including deferment and cancellation.

If a borrower chooses to rehabilitate a defaulted loan and then fails to make nine consecutive on-time payments, the rehabilitation is unsuccessful, but the borrower may still make further attempts to rehabilitate the defaulted loan. Also, if a borrower successfully rehabilitates a defaulted loan and maintains good standing on the loan, the borrower may continue to attempt to rehabilitate other defaulted Perkins loans. **However, if the borrower successfully rehabilitates a defaulted loan, but the loan later returns to default, the borrower may not attempt to rehabilitate that loan again or any other defaulted Perkins Loan.**

### *Loans with judgments*

When a school has filed suit to collect a defaulted Perkins Loan and a judgment has been rendered on the loan, the borrower is obligated to repay only the amount of the judgment obtained on the loan. If the judgment is for less than the outstanding balance on the loan, the school may write off the portion of the loan not covered by the judgment. After a judgment is satisfied on the defaulted loan, the student is again eligible for aid from FSA programs if all other eligibility criteria are met. **However, if a borrower has previously satisfied a defaulted student loan involuntarily (for instance, through wage garnishment), you should consider this as evidence of unwillingness to repay and should not approve further loan assistance to the borrower.**





### Previously defaulted Perkins Loans discharged for school closure

A Perkins Loan made on or after January 1, 1986, may be discharged if the borrower is unable to complete his or her program of study due to the closure of the school that made the loan. A defaulted borrower whose loan is discharged under this closed school provision is eligible for additional federal student aid, provided that he or she meets all other eligibility criteria. (Schools that close must assign all Perkins Loans to the Department.)

#### Closed school discharge

34 CFR 674.33(g)

### PERKINS COHORT DEFAULT RATES (CDR)

Your school's cohort default rate is calculated for a particular year based on information you report in Part 3, Sections D and E, of the FISAP. For detailed information on how your school's cohort default rate is determined, see Part III of the FISAP Instructions available under "Publications" on the IFAP website.

For detailed information on how your school's cohort default rate is determined, see Part III of the Draft FISAP Instructions Booklet available under "Publications" on the IFAP website.

#### Perkins CDR

34 CFR 674.5

#### CDR Calculation

34 CFR 674.5(b)

#### Loans included in the cohort default rate

34 CFR 674.5(c)(1) & (2)

#### Loans not included in cohort default rate

34 CFR 674.5(c)(3)

### How the Perkins Loan default rate is calculated

For any award year in which *30 or more borrowers enter repayment*, the cohort default rate is the percentage of those current and former students who enter repayment *in that award year* on loans received for attendance at that school and *who default before the end of the following award year*.

For any award year in which *fewer than 30 current and former students at the school enter repayment* on a loan received at the school, the cohort default rate is the percentage of those current and former students who entered repayment on loans received for attendance at that school in any of the *three most recent award years* and who defaulted on those loans before the end of the award year immediately following the year in which they entered repayment.

For purposes of the cohort default rate, a loan enters repayment only once in its life. This repayment begins the day after the end of the initial grace period or the day that the borrower waives his or her initial grace period.

A borrower is included in determining the school's cohort default rate if the borrower's default has persisted for at least 240 consecutive days for a loan repayable monthly or 270 consecutive days for a loan repayable quarterly.

#### CDR for Multiple Locations or Change of Ownership

If a school has a branch or branches or has an additional location or locations, the school's cohort default rate applies to all branches and locations of the school as they exist on the first day of the award year for which the rate is calculated. The cohort default rate applies to all branches/locations of the school from the date the Department notifies the school of the rate until the Department notifies the school that the rate no longer applies.

For more information about the effect of changes of ownership and the treatment of multiple locations in the Perkins rate calculation, see 34 CFR 674.5(d).

### Perkins Cohort Default Rates Listing

The *Federal Perkins Loan Program Status of Default*, known as the Orange Book, lists the cohort default rates for each school that participates in the Perkins program. The Orange Book can be found in the “Publications” area on the IFAP website.

## Perkins Loans that are not treated as defaults

The following loans are not treated as defaults when reporting borrower status on Part III of the FISAP:

- ◆ Loans on which borrowers have made six on-time, consecutive voluntary, full monthly payments.
- ◆ Loans on which borrowers have “voluntarily” made all payments currently due.
- ◆ Loans that borrowers have repaid in full.
- ◆ Loans for which borrowers have received deferments or forbearance based on conditions that began prior to loans becoming 240/270 days past due.
- ◆ Loans that have been rehabilitated.
- ◆ Loans repaid in full under a compromise repayment agreement in accordance with 674.33(e).
- ◆ Loans that have been discharged due to death or total and permanent disability, bankruptcy, or a school closing.
- ◆ Loans that have been assigned to the ED because of the total and permanent disability of the borrower.

## Rules for calculating the number of days in default

For purposes of reporting on Part III of the FISAP, a school should use the following rules to calculate the number of days a loan has been in default:

- ◆ The 240/270 consecutive days in default is determined by calculating the “age” of the account (that is, the number of consecutive days the oldest dollar is past due).
- ◆ A payment that a borrower makes on a past-due loan is applied to the oldest dollars first, effectively reducing the past-due status.
- ◆ A loan on which a borrower is past due and on which the borrower makes an occasional payment but never becomes current could be counted as a defaulted loan for the cohort default rate calculation despite the occasional payments. Because the delinquency is not being cured, the oldest past-due dollar could eventually become 240 days past due, making the loan count in the default rate calculation. However, if the borrower makes enough occasional payments to prevent the oldest past-due dollar from becoming 240 days old, the loan would not be counted as being in default.

### Adjusting past-due status example

Marty's oldest dollar is 240 days past due. He files a request for a deferment based on the fact that he is attending school and the enrollment period began on the date that the loan became 90 days past due. The past-due status of the loan is reduced to 90 days, and the loan is given a deferment status. This loan is treated as if the 240-day threshold had never been reached. Therefore, it would not be counted in the school's cohort default rate.

- ♦ An exception to the 240/270-day threshold will be granted in a case where a borrower (1) would have qualified for a deferment for a period beginning prior to the loan hitting the 240/270-day threshold and (2) failed to file a request for the deferment in a timely manner. For such a borrower, the loan's past-due status would be adjusted to reflect the deferment period beginning date. However, the borrower would need to pay any past-due amounts that were due prior to the beginning of the authorized deferment periods, if the deferment period beginning date does not eliminate the loan's entire delinquency.

### **Penalties for high Perkins default rates**

If the school's cohort default rate is

- ♦ 25% or higher, and Congress appropriates funds, the school's FCC will be reduced to zero.
- ♦ 50% or higher for the three most recent years, the school is ineligible to participate in the Federal Perkins Loan Program and must liquidate its loan portfolio.

A school may appeal a determination of ineligibility if the appeal is based on an inaccurate calculation of its cohort default rate or a low number of borrowers entering repayment. A school appeals a determination of ineligibility based on an inaccurate calculation by adjusting the cohort default rate data on the FISAP.

## **BILLING AND COLLECTION COSTS**

Your school must assess charges against the borrower, for the cost of actions taken with regard to past-due payments on the loan (not routine billing costs).

If your school cannot recover billing and collection costs from the borrower, you may charge the costs to the fund, provided the costs fall within the specifications described in the following paragraphs. (Collection costs are included in the ACA, but if collection costs exceed the ACA, you must report the additional costs in the separate collection costs category on the FISAP.) Note that a school may not request a Perkins ACA if it has not made any Perkins loans during the year.

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### **Penalty for high CDR**

34 CFR 674.5(a)

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### **Billing and collection**

Billing and collection firms  
34 CFR 674.48  
Assessing costs  
34 CFR 674.45(e)  
Charging costs to the fund  
34 CFR 674.47

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### **Perkins Loans and ACA**

34 CFR 674.37(a)

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### **Reasonable collection costs**

34 CFR 674.45(e)(3)

For loans referred to a collection agency on or after July 1, 2008, collection costs charged the borrower may not exceed

- first collection effort—30% of the principal, interest, and late charges collected;
- second and subsequent collection efforts—40% of the principal, interest, and late charges collected;
- for collection efforts resulting from litigation, 40% of principal, interest, and late charges collected, plus court costs.

## Collection Costs

34 CFR 674.47(b)  
34 CFR 30.60

## Collection costs waiver

34 CFR 674.47(d)

### Collection Costs for Loans Made from 1981 through 1986

For loans made from 1981 through 1986, many promissory notes contain a limitation on the amount of costs that can be recovered from the borrower (25% of the outstanding principal and interest due on the loan). As this provision has not been applicable since the beginning of the 1987–1988 award year, if these borrowers ask for new advances, the Department strongly encourages schools to issue new promissory notes without this provision and to require the provisions of the new note to apply to repayment of previous advances. The borrower will then be liable for all collection costs on all of his or her outstanding loans borrowed under this program. (However, the advances made prior to the signing of the new note do not qualify for new deferment and cancellation benefits.)

The only *billing* costs a school may charge the fund are the costs of telephone calls made to demand payment of overdue amounts not paid by the borrower. Even if the amount recovered from the borrower does not suffice to pay the amount of the past-due payments and the penalty or late charges, the school may charge the fund only for the unpaid portion of the actual cost of the calls.

A school may waive a percentage of the collection costs past-due on a loan if a borrower agrees to a written repayment arrangement. The percentage of collection costs that may be waived is equal to the percentage of the past-due balance paid by the borrower within 30 days of the date on which the borrower and the school enter into the written repayment agreement. A school may waive 100% of the collection costs due on a loan in return for a lump-sum payment of the full amount of principal and interest outstanding.

The following *collection* costs may be charged to the Perkins Loan Fund if the costs are *waived* or *not paid by the borrower*:

**Collection costs waived.** If your school waives collection costs as incentive for repayment, the amount waived may be charged to the Fund.

**Cost of a successful address search.** You may charge to the Fund a reasonable amount for the cost of a successful address search if you used a commercial skip-tracing service or employed your school's personnel to locate the borrower using comparable methods. (Defining a reasonable amount is left to the school.)

**Cost of reporting defaulted loans to credit bureaus.** You may charge to the Fund the cost of reporting a defaulted loan to a credit bureau, reporting any change in the status of a defaulted account to the bureau to which the school had previously reported the account, and responding to any inquiry from a credit bureau about the status of a loan.

**Costs of first and second collection efforts.** You may charge to the Fund collection costs not paid by the borrower if they do not exceed—for first collection efforts—30% of the total principal, interest, and late charges collected and—for second collection efforts—40% of the principal, interest, and late charges collected. The school must reimburse the Fund for collection costs initially charged to the Fund but subsequently paid by the borrower.

**Collection costs resulting from rehabilitation.** Collection costs charged to the borrower on a rehabilitated loan may not exceed 24% of the unpaid principal and accrued interest as of the date following application of the ninth payment. Collection costs are not restricted to 24% in the event that the borrower defaults on the rehabilitated loan.

***Costs of a firm performing both collection and litigation services.*** If a collection firm agrees to perform or obtain the performance of both collection and litigation services on a loan, the amount for both functions that may be charged to the Fund may not exceed the sum of **40%** of the amount of principal, interest, and late charges collected on the loan, plus court costs specified in 28 U.S.C. 1920.

***Collection costs resulting from litigation, including attorney's fees.*** Collection costs resulting from litigation, including attorney's fees, may be charged to the Fund if not paid by the borrower but must not exceed the sum of

- ♦ court costs specified in 28 U.S.C. 1920;
- ♦ other costs incurred in bankruptcy proceedings in taking actions required or authorized under 34 CFR 674.49;
- ♦ costs of other actions in bankruptcy proceedings to the extent that those costs together with other costs incurred in bankruptcy proceedings do not exceed 40% of the total amount of judgment obtained on the loan; and
- ♦ 40% of the total amount recovered from the borrower in any other proceeding.

Due diligence activities involving fixed costs (telephone contacts, credit bureau reporting, and bankruptcy procedures) may be charged to the Fund whether or not the actions are successful. Other activities, such as address searches, collection, and litigation (other than bankruptcy), are typically performed on a *contingent-fee* basis. **If these activities are unsuccessful, there are no costs charged to the school and therefore no costs may be charged to the Fund.** If these activities are *successful*, you may charge the associated allowable costs to the Fund.

**TIP**

### ***Assessing and documenting costs***

You may charge either actual costs incurred in collecting the borrower's loan or average costs incurred for similar actions taken to collect loans in similar stages of delinquency.

Your school must assess all reasonable collection costs against the borrower despite any provisions of state law that would conflict with the above provisions.

You must document the basis for the costs assessed. For audit purposes, a school must keep documentation supporting costs, including telephone bills and receipts from collection firms.

## ASSIGNING PERKINS LOANS

### Assignment form and procedures

34 CFR 674.50

Electronic Announcements January 8, 2016.

Federal Perkins Loans assigned to the Department are now being serviced by ECSI Federal Perkins Loan Servicer in Warrendale, PA (NSLDS Name—DEPT OF ED/ECSI Federal Perkins Servicer, ED Servicer Code 529.

If a school has a question about a loan that has been submitted for assignment, it should contact the Client Support Team at ECSI. Contact information for ECSI can be found on the Loan Servicing Centers for Schools Contact Information page at

[ifap.ed.gov/ifap/helpContactInformation/DetailedList.jsp?lsc=1](http://ifap.ed.gov/ifap/helpContactInformation/DetailedList.jsp?lsc=1)

### Federal interest on accelerated loans

34 CFR 674.17

### Reporting “Date(s) of First Disbursement” on Loan Manifest

You must report the date each assigned loan was disbursed (attached to the Institutional Certification page of the Perkins Assignment form). The dates listed must match the date of first disbursement initially reported by your school to NSLDS.

A school may assign Perkins Loans to the Department at any time during the program year. When a school assigns a loan to the Department, it is transferring all rights and responsibilities for collection to the United States government. A school relinquishes its rights to any share of funds collected after a Perkins Loan is assigned to and accepted by the Department.

A school may assign defaulted Perkins loans to the Department if

**Clarification**

- ♦ it has not been able to collect despite having followed due diligence procedures (including at least a first level of collection);
- ♦ the total amount of the borrower’s account to be assigned, including outstanding principal, accrued interest, collection costs, and late charges, is at least \$25; and
- ♦ the loan has been accelerated.

You may *not* assign a loan to the Department under the voluntary assignment procedures if

- ♦ the borrower has received a discharge in bankruptcy—unless the bankruptcy court has determined that the student loan obligation is nondischargeable and has entered a judgment against the borrower or unless a court of competent jurisdiction has entered judgment against the borrower on the loan after the entry of the discharge order;
- ♦ your school has sued the borrower (unless the judgment has been entered and assigned to the United States); or
- ♦ the loan has been discharged because the borrower has died or become totally and permanently disabled, or because of a school closure.

A school may be required to assign a Perkins Loan if it has knowingly failed to maintain an acceptable collection record with regard to the loan or chooses to stop servicing and collecting its Perkins Loans.

### Nonliquidating schools

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.



### *Liquidating schools*

When a school liquidates its Perkins portfolio, it must assign all loans with outstanding balances to the Department for collection whether defaulted or non-defaulted.

### *Loans are assigned without recompense*

All loans a school assigns to the Department are assigned without recompense. The school is relieved of incurring additional expenses in attempting to collect on the loan. All rights, authorities and privileges associated with the loan are transferred to the Department, and the Department will not reimburse the school's Perkins Fund for any collections made on the assigned loans. Assignment of defaulted loans does not affect the calculation of the school's Perkins Loan cohort default rate.

### *Required documentation*

A school *may be required* to submit the following documents to the Department for any loan it proposes to assign

- ◆ one original and one photocopy of the assignment form;
- ◆ the original promissory note or a certified copy of the original note;
- ◆ copies of all disbursement records or evidence supporting each disbursement including date and amount of every disbursement
- ◆ a copy of the repayment record and a copy of the payment history;
- ◆ copies of all approved requests for deferment and cancellation;
- ◆ a copy of the notice to the borrower of the effective date of acceleration and the total amount due on the loan;
- ◆ documentation that the school has withdrawn the loan from any firm that it employed for address search, billing, collection, or litigation services and has notified that firm to cease collection activity on the loans;
- ◆ copies of all pleadings filed or received by the school on behalf of a borrower who has filed a petition in bankruptcy and whose loan obligation is determined to be nondischargeable;
- ◆ a certified copy of any judgment order entered on the loan. (Please see chart at the end of this chapter for specific information related to assignment loans that are under a judgment).



If you assign loans made under the Perkins MPN, you must include copies of the disbursement records that document the principal amount when assigning the loan. The school should retain the original disbursement records until the loan is paid off or otherwise satisfied. For more details on Perkins Loan Portfolio Liquidation and Assignment, see the Federal Perkins Loan Program Assignment and Liquidation Guide available at

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

### *Terms of assignment*

If the Department accepts the assignment of a loan, it will give the school written notice to that effect. *By accepting the assignment, the Department acquires all rights, title, and interest in the loan.* You must endorse and forward to the Department any subsequent payment(s) the borrower may make.

If the Department later determines an assigned loan to be unenforceable because of an act or omission on the part of your school or its agent, your school may have to compensate the Perkins Loan Fund in the amount of the unenforceable portion of the outstanding balance. Once the fund is reimbursed, the Department transfers all rights to the loan back to the school.

A borrower whose loan has been assigned to the United States for collection continues to be in default on the loan and is ineligible for FSA funds until the borrower provides confirmation from the Department that he or she has made satisfactory arrangements to repay the loan.

Schools that do not utilize PLAS (use a paper process) will receive an official notification of acceptance document identified as “Perkins Loan Database Report” via email. 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 notice and should be retained in the school’s records.

## *Status of assignment*

### **Loans accepted**

Official Notification of Acceptance: When manual paper assignments are accepted, the institution will receive a document identified as “Perkins Loan Database Report” via email. 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 notice and should be retained in the school’s records.

Hard copies of the acceptance notices (Perkins Loan Database Reports) may be sent to the school’s address provided in the school’s program participation agreement. The institution 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 on-line or printed from PLAS.

### **Loans rejected**

For Perkins Loans rejected for assignment, the Department will provide the school with the reason(s) for rejection; if the school can resolve the issue(s) it may resubmit the loan for assignment. For most problems, this process may enable a school to correct the deficiencies and resubmit the rejected loans. The Department will work with the school to assist in resolving issues.

## ASSIGNMENT UNDER E-SIGNED OR PERKINS MPN

### Reconciling NSLDS and School Data

The amount of loans and number of borrowers in NSLDS must match what is reported by the school on its final FISAP.

For the purposes of Perkins liquidation and closeout, schools must ensure that all outstanding Perkins Loans are properly accounted for and updated in NSLDS.

The Department suggests schools request a reconciliation report from NSLDS to ensure its records are consistent with the NSLDS data, and to reconcile any discrepancies.

If you assign loans that were made under an electronically signed promissory note, you must cooperate with the Department in all activities necessary to enforce the loan.

You may be asked to provide an affidavit or certification regarding the creation and maintenance of electronic records of the loan. This affidavit or certification must establish that the records are created and maintained in a form appropriate to ensure admissibility of the loan records in a legal proceeding.

The affidavit or certification must

- ♦ describe the steps followed by the borrower to execute the promissory note;
- ♦ include copies of screen shots that would have appeared to the borrower when the borrower signed the note electronically;
- ♦ describe field edits and other security measures used to ensure data integrity;
- ♦ describe how the promissory note has been preserved to ensure it has not been altered;
- ♦ include documentation supporting the school's authentication and electronic signature process; and
- ♦ provide any other documentary and technical evidence requested by the Department.

The affidavit or certification may be executed in a single record for multiple loans provided that this record is reliably associated with the specific loans to which it pertains.

An authorized official or employee of the school may have to testify to ensure admission of the electronic records of the loan or loans in the litigation or legal proceeding to enforce the loan or loans.

Your school's most recent audit must assess how well your school's e-sign authentication process meets the Department's "Standards for Electronic Signatures in Electronic Student Loan Transactions" (as specified in DCL GEN-01-06).

## Liquidation and Assignment Information

Complete information about Federal Perkins Loan Portfolio liquidation and assignment is available in the *Federal Perkins Loan Program Assignment and Liquidation Guide* on the Campus-Based Processing Information Page on the Information for Financial Aid Professionals (IFAP) website.

From the IFAP website's home page, under *Information Pages* select *Campus-Based Programs*. Perkins Liquidation and Assignment information is highlighted in an orange box on the right side of the page, and you can find the *Federal Perkins Loan Program Assignment and Liquidation Guide* there.

The posted information includes the following:

- Perkins Loan Assignment and Liquidation Guide
- Returning Perkins Funds
- Perkins Assignment Form Instructions
- Perkins Assignment Form—Institutional Certification
- Perkins Assignment Form—Borrower and Loan Info
- Administrative Responsibilities and Reporting Requirements
- Perkins Loan Assignment System (PLAS)
- Total and Permanent Disability Loan Assignment Guide

Each time we make updates to the documents, we will inform the community through an electronic announcement on the IFAP website.

### Contact Information

If you have questions, 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 your questions to [cbfob@ed.gov](mailto:cbfob@ed.gov).

### TIP

### Schools Have a Choice

Schools will be required to remit to the Department the federal share of all future collections on an annual basis.

A school may choose to:

- service its own Perkins Loans portfolio;
- use a third-party servicer to service its Perkins Loan portfolio;
- assign all or a portion of its Perkins Loan portfolio to the Department.

Once a school assigns loans to the Department the school loses all rights and titles to those loans including the nonfederal share of future collections. A school retains the rights to the nonfederal share of future collections on loans not assigned to the Department.

## SUPPORTING DOCUMENTATION FOR ASSIGNMENT OF PERKINS LOANS

In an effort to streamline the Federal Perkins Loan assignment process for institutions, Federal Student Aid has developed the charts on the following pages in which we provide information about the necessary documentation that must be included when institutions assign Federal Perkins Loans to the Department.

The chart is categorized by loan status with three columns of acceptable supporting documentation requirements: (1) required documentation, (2) alternatives to required documentation, and (3) extenuating circumstances documentation. Schools should refer to this chart when preparing loans for assignment to the Department.

As a reminder, institutions were informed in an Electronic Announcement, Perkins Loan Assignment System—System Availability and User Access Process dated September 21, 2015, that the automated Perkins Loan Assignment System (PLAS) was available for use.

Additional information on the procedures for assigning Perkins loans to the Department is provided in the Federal Perkins Loan Program Assignment and Liquidation Guide available at

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

## Supporting Documentation for Assignment of Perkins Loans—March 2016

Status of the Loan	Required Documents	Alternative Required Documents (Only if Original Promissory Note or Master Promissory Note Does Not Exist)	Extenuating Circumstances Documentation
In School or Grace	<ul style="list-style-type: none"> <li>Original Promissory Note or Master Promissory Note with Disbursement Records</li> </ul>	<ul style="list-style-type: none"> <li>Certified True Copy of Front and Back of Promissory Note or Master Promissory Note with Disbursement Records</li> </ul>	<ul style="list-style-type: none"> <li>Approval letter from Federal Student Aid for other acceptable alternative documentation</li> </ul>
In Repayment—No Default	<ul style="list-style-type: none"> <li>Original Promissory Note or Master Promissory Note with Disbursement Records</li> <li>Repayment Records</li> </ul>	<ul style="list-style-type: none"> <li>Certified True Copy of Front and Back of Promissory Note or Master Promissory Note with Disbursement Records</li> <li>Repayment Records</li> </ul>	<ul style="list-style-type: none"> <li>Approval letter from Federal Student Aid for other acceptable alternative documentation</li> </ul>
In Repayment—Default	<ul style="list-style-type: none"> <li>Original Promissory Note or Master Promissory Note with Disbursement Records</li> <li>Repayment Records</li> </ul>	<ul style="list-style-type: none"> <li>Certified True Copy of Front and Back of Promissory Note or Master Promissory Note with Disbursement Records</li> <li>Repayment Records</li> </ul>	<ul style="list-style-type: none"> <li>Approval letter from Federal Student Aid for other acceptable alternative documentation</li> </ul>
School Has Not Initiated Legal Action Against the Borrower	<ul style="list-style-type: none"> <li>Original Promissory Note or Master Promissory Note with Disbursement Records</li> <li>Repayment Records</li> </ul>	<ul style="list-style-type: none"> <li>Certified True Copy of Front and Back of Promissory Note or Master Promissory Note with Disbursement Records</li> <li>Repayment Records</li> </ul>	<ul style="list-style-type: none"> <li>Approval letter from Federal Student Aid for other acceptable alternative documentation</li> </ul>
<p align="center"><b>Notes</b></p> <p><i>Disbursement record</i> is the evidence supporting each disbursement and would include the date and amount of every disbursement.</p> <p><i>Repayment record</i> is an accounting record or listing of each payment received for the Perkins Loan and would include any deferrals or forbearance periods. If no payments have been received for the Perkins Loan this information would need to be included.</p>			

## Supporting Documentation for Assignment of Perkins Loans—March 2016, continued

Status of the Loan	Required Documents	Alternative Required Documents (Only if Original Promissory Note or Master Promissory Note Does Not Exist)	Extenuating Circumstances Documentation
In Repayment—Default Judgment Initiated—Decision Not Yet Rendered  Assignment by a School Not Liquidating or Closing	Loan cannot be assigned until judgment is rendered.		
In Repayment—Default Judgment Initiated—Decision Not Yet Rendered  Assignment by a School Liquidating or Closing	<ul style="list-style-type: none"> <li>At the specific request of the Department, documentation that the school requested the court to end the judgment proceedings or request the court to name the Department as the creditor</li> <li>All documents related to the school's filing the request for judgment</li> <li>Original Promissory Note or Master Promissory Note with Disbursement Records</li> <li>Repayment Records</li> </ul>	<ul style="list-style-type: none"> <li>At the specific request of the Department, documentation that the school requested the court to end the judgment proceedings or request the court to name the Department as the creditor</li> <li>All documents related to the school's filing the request for judgment</li> <li>Certified True Copy of Front and Back of Promissory Note or Master Promissory Note with Disbursement Records</li> <li>Repayment Records</li> </ul>	<ul style="list-style-type: none"> <li>At the specific request of the Department, documentation that the school requested the court to end the judgment proceedings or request the court to name the Department as the creditor</li> <li>All documents related to the school's filing the request for judgment</li> <li>Approval letter from Federal Student Aid for other acceptable alternative documentation</li> </ul>



Status of the Loan	Required Documents	Alternative Required Documents (Only if Original Promissory Note or Master Promissory Note Does Not Exist)	Extenuating Circumstances Documentation
<b>In Repayment—Default Judgment Rendered</b>  <b>Assignment Form Amount and the Judgment Amount Match</b>	<ul style="list-style-type: none"> <li>Original or certified true copy of the judgment</li> <li>Original Promissory Note or Master Promissory Note</li> <li>Signed statement providing amount, interest rate, and expiration date if this information does not appear on the judgment documents</li> <li>Repayment records made on the judgment</li> <li>Repayment records on all payments made prior to judgment (if available)</li> </ul>	<ul style="list-style-type: none"> <li>Original or certified true copy of the judgment</li> <li>Certified True Copy of Front and Back of Promissory Note</li> <li>Signed statement providing amount, interest rate, and expiration date if this information does not appear on the judgment documents</li> <li>Repayment records made on the judgment</li> <li>Repayment records on all payments made prior to judgment (if available)</li> </ul>	<ul style="list-style-type: none"> <li>Original or certified true copy of the judgment</li> <li>Signed statement providing amount, interest rate, and expiration date if this information does not appear on the judgment documents</li> <li>Approval letter from Federal Student Aid for other acceptable alternative documentation</li> </ul>

### Supporting Documentation for Assignment of Perkins Loans —March 2016, continued

Status of the Loan	Required Documents	Alternative Required Documents (Only if Original Promissory Note or Master Promissory Note Does Not Exist)	Extenuating Circumstances Documentation
<b>In Repayment—Default Judgment Rendered</b>  <b>Assignment Form Amount and Judgment Amount Do Not Match</b>	<ul style="list-style-type: none"> <li>School must work with FSA to determine amount that will be assigned</li> <li>Original Promissory Note or Master Promissory Note</li> <li>Original or certified true copy of the judgment</li> <li>Signed statement providing amount, interest rate, and expiration date if this information does not appear on the judgment documents</li> <li>Repayment records made on the judgment</li> <li>Repayment records on all payments made prior to judgment (if available)</li> </ul>	<ul style="list-style-type: none"> <li>School must work with FSA to determine amount that will be assigned</li> <li>Certified True Copy of Front and Back of Promissory Note</li> <li>Original or certified true copy of the judgment</li> <li>Signed statement providing amount, interest rate, and expiration date if this information does not appear on the judgment documents</li> <li>Repayment records made on the judgment</li> <li>Repayment records on all payments made prior to judgment (if available)</li> </ul>	<ul style="list-style-type: none"> <li>School must work with FSA to determine amount that will be assigned</li> <li>Original or certified true copy of the judgment</li> <li>Signed statement providing amount, interest rate, and expiration date if this information does not appear on the judgment documents</li> <li>Repayment records made on the judgment</li> <li>Repayment records on all payments made prior to judgment (if available)</li> <li>Approval letter from Federal Student Aid for other acceptable alternative documentation</li> </ul>
<b>Bankruptcy Initiated— Decision Not Yet Rendered</b>  <b>Assignment by a School Not Liquidating or Closing</b>  (Applies to both non-defaulted and defaulted loans)	Loan cannot be assigned until court rules on the bankruptcy petition.		

## Supporting Documentation for Assignment of Perkins Loans—March 2016, continued

Status of the Loan	Required Documents	Alternative Required Documents (Only if Original Promissory Note or Master Promissory Note Does Not Exist)	Extenuating Circumstances Documentation
<b>Bankruptcy Initiated—Decision Not Yet Rendered</b>  <b>Assignment by a School Liquidating or Closing</b>  (Applies to both nondefaulted and defaulted loans)	<ul style="list-style-type: none"> <li>Upon the specific request of the Department, documentation that the school requested the bankruptcy court to name the Department as the creditor</li> <li>All documents received or sent related to the bankruptcy filing</li> <li>Original Promissory Note or Master Promissory Note with Disbursement Records</li> <li>Repayment Records</li> </ul>	<ul style="list-style-type: none"> <li>Upon the specific request of the Department, documentation that the school requested the bankruptcy court to name the Department as the creditor</li> <li>All documents received or sent related to the bankruptcy filing</li> <li>Certified True Copy of Front and Back of Promissory Note or Master Promissory Note with Disbursement Records</li> <li>Repayment Records</li> </ul>	<ul style="list-style-type: none"> <li>Upon the specific request of the Department, documentation that the school requested the bankruptcy court to name the Department as the creditor</li> <li>All documents received or sent related to the bankruptcy filing</li> <li>Approval letter from Federal Student Aid for other acceptable alternative documentation</li> </ul>
<b>Bankruptcy Initiated—Final Ruling</b>  <b>Loan is not Discharged</b>  (Applies to both nondefaulted and defaulted loans)	<ul style="list-style-type: none"> <li>All documents received or sent related to the bankruptcy filing, including court's determination</li> <li>Original Promissory Note or Master Promissory Note with Disbursement Records</li> <li>Repayment Records</li> </ul>	<ul style="list-style-type: none"> <li>All documents received or sent related to the bankruptcy filing, including court's determination</li> <li>Certified True Copy of Front and Back of Promissory Note or Master Promissory Note with Disbursement Records</li> <li>Repayment Records</li> </ul>	<ul style="list-style-type: none"> <li>All documents received or sent related to the bankruptcy filing, including court's determination</li> <li>Approval letter from Federal Student Aid for other acceptable alternative documentation</li> </ul>

### Using Billing and Collection Firms

Your school may use a contractor for billing or collection, but it is still responsible for complying with due diligence regulations regarding those activities. For example, the school, not the billing or collection firm, is responsible for deciding whether to sue a borrower in default. The school is also responsible for decisions about cancelling or deferring repayment, granting forbearance, extending the repayment period, and safeguarding the funds collected.

If you use a billing service, you may not use a collection firm that owns or controls the billing service or is owned or controlled by the billing service. In addition, you may not use a collection firm if both the collection firm and billing service are owned or controlled by the same corporation, partnership, association, or individual.

#### Account protection: minimum bond/insurance amounts

A school must ensure that its billing service and collection firm maintain a fidelity bond or comparable insurance to protect the accounts they service.

At least once a year, the school must review the amount of repayments it expects to receive from billing or collection firms to ensure adequate bond or insurance coverage.

A school using a law firm to collect must review the firm's bond or its insurance policy to determine whether the firm is protected against employee misappropriation. If the firm's malpractice insurance also covers misappropriation of funds, that policy is considered to provide coverage.

If you **don't** authorize your collection firm to deduct its fees from borrowers' payments, the firm must be bonded or insured for at least the amount that you expect to be repaid over a two-month period on the assigned accounts.

If you **do** authorize your collection firm to deduct its fees from borrowers' payments, you must ensure that

- if the amount you expect to be repaid over a two-month period is **less than \$100,000**—the collection firm is bonded or insured for the lesser of (a) 10 times the amount the school expects to be repaid over a two-month period on assigned accounts; or (b) the amount the firm expects to collect in a two-month period on **all** accounts it has in its portfolio (not just the school's account).
- if the amount you expect to be repaid in a two-month period is **\$100,000 or more**—the collection firm has a fidelity bond or comparable insurance **that names your school as the beneficiary** and is bonded or insured for an amount not less than the amount of funds the school can reasonably expect to be repaid during that two-month period.

## Sources of Information on the Perkins Loan Program Perkins Loan Assignment Process and Other Financial Aid

You can find detailed treatment of *Federal Perkins Loan Program Assignment Procedures* at

**[ifap.ed.gov/eannouncements/033016FedPerkinsLoanAssignLiquidGuideAvailOnIFAP.html](http://ifap.ed.gov/eannouncements/033016FedPerkinsLoanAssignLiquidGuideAvailOnIFAP.html)**

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

### Federal Perkins Loan Assignment Procedures

Questions pertaining to the status of your assignment submissions, or the correction of pending submissions, may be directed to

#### Written inquiries

**ECSI Federal Perkins Loan Servicer**  
**100 Global View Drive, Suite 800**  
**Warrendale, PA 15086**

ECSI can also be contacted at

**Phone** (for assignment help) **844-301-2620**

**Fax: 412-490-7498**

**Email: [Clientsupport@efpls.com](mailto:Clientsupport@efpls.com)**

**Office Hours: 8:00 a.m.–8:00 p.m. (ET), Monday through Friday.**

### Information about Assignments Previously submitted

For assignment verification of accounts submitted more than 60 days previously, please email **[productionprocessing@efpls.com](mailto:productionprocessing@efpls.com)**. In order to verify the submission, the email must include the student(s) name(s) and Social Security Number(s) in an encrypted file. The file must be password protected, and the password must be provided in a separate email.

**All inquiries must include the school's Name and OPEID.**

## **Sources of Information on the Perkins Loan Program**

### **Perkins Loan Assignment Process and Other Financial Aid (continued)**

#### **Payments from Borrowers Received after Assignment**

Payments from a borrower received by a school or its servicer 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

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

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.

#### **School Participation Teams**

You can find contact information for the regional offices of the School Participation Division at

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

#### **Closed School Procedures**

Questions concerning closed school procedures should be directed to the appropriate School Participation Team.

#### **Discrepancies Between School Data and Department Data**

Schools should contact ECSI, the Federal Perkins Loan Servicer, to resolve any discrepancies between institutional records and those of the Department pertaining to accounts that have already been assigned to the Department and accepted. This includes corrections to acceptance notices, bankruptcy notices, and any other general information on accepted accounts that an institution wishes to forward.

**Sources of Information on the Perkins Loan Program**  
**Perkins Loan Assignment Process and Other Financial Aid (continued)**  
**Issues with Specific Assignments**

**FISAP**

For questions about the FISAP form, contact the Campus-Based Call Center at **877-801-7168** or by email at **cbfob@ed.gov**.

**Perkins Loan Program Liquidation**

For questions about Perkins Loan Program Liquidation, contact the Campus-Based Call Center at **877-801-7168**.

**Perkins Loan Servicer Contact Information for Borrowers**

Borrower Payments should be mailed 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**.



## **Sources of Information on the Perkins Loan Program**

### **Perkins Loan Assignment Process and Other Financial Aid (continued)**

Borrower Correspondence should be mailed to

**U.S. Department of Education  
ECSE Federal Perkins Loan Servicer  
P.O. Box 1079  
Wexford, PA 15090**

### **Total and Permanent Disability Assignments**

For detailed information about Total and Permanent Disability assignments for Perkins Loans, schools should refer to Perkins Total and Permanent Disability Discharge Assignment Procedures at

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

All Total and Permanent Disability assignments should be sent to

**Nelnet Total and Permanent Disability Servicer  
U.S. Department of Education  
121 South 13th Street, Suite 201  
Lincoln, NE 68508**

The phone number for the Department's TPD Servicer is **888-303-7818**.