Volume 6
The Campus-Based Programs
Table of Contents

Introduction 6–1

Chapter 1—Campus-Based Programs Common Elements 6–5
Campus-Based Programs Overview 6–5
Program Participation Agreement (PPA) 6–6
Determining Student Eligibility 6–8
The Campus-Based Funding Process 6–9
Payment Methods and Conditions 6–16
Transfer of Campus-Based Funds 6–16
FSEOG and FWS Carry Forward/Carry Back 6–18
Federal and Nonfederal Shares (Matching) 6–20
Administrative Cost Allowance (ACA) 6–26
Projecting Need 6–28
Drawing Down Funds 6–29
Campus-Based Recordkeeping 6–32
Record Retention and Formats 6–35
The Fiscal Operations Report 6–37

Chapter 2—The Federal Work-Study Program 6–41
FWS Jobs and Employers 6–41
Federal and Nonfederal Share of Wages 6–42
FWS Conditions of Employment and Limitations of Employment 6–45
CARES Act FWS flexibilities 6–48
Job Descriptions 6–49
Establishing Wage Rates 6–50
Paying Students 6–54
Records and Reporting in the FWS Program 6–57
FWS Earnings for The Next Period of Enrollment 6–58
FWS During Periods of Nonattendance 6–58
Earnings During Mini-Sessions 6–59
Garnishment of FSA Funds Prohibited 6–60
Payment for FWS Training and/or Travel 6–60

Internal Controls in the FWS Program—Reconciliation, Fiscal, and Program Records 6–61
Use of FWS Allocated Funds 6–62
Community Service Jobs 6–64
Work on Campus (School Is Employer) 6–73
Work for a Proprietary School 6–74
Work Off Campus 6–75
Job Location and Development Program 6–82
Work-Colleges Program 6–87
Model Off-Campus Agreement 6–90
Model Need Assessment for FWS Community Service Program 6–92

Chapter 3—Participating in the Perkins Loan Program 6–95
The Federal Perkins Loan Program 6–95
Excess Liquid Capital 6–96
Distribution of Assets from the Federal Perkins Loan Revolving Fund 6–96
Perkins Promissory Note 6–98
Reimbursement of the Perkins Loan Fund 6–100
Required Coordination Process 6–100
Credit Bureau Reporting 6–100
Perkins NSLDS Reporting 6-101
Perkins Recordkeeping 6–102
Exit Counseling 6–103
Internal Controls in the Federal Perkins Loan Program—
Reconciliation, Fiscal, and Program Records 6–111
Ending Participation in the Perkins Loan Program 6–114
Perkins Assignment and Liquidation Guide 6–119

Chapter 4—Perkins Repayment Plans, Forbearance, Deferment, Discharge, and Cancellation 6–129
Grace Periods 6–129
Establishing a Repayment Plan 6–135
Establishing Repayment Dates 6–139
Forbearance 6–141
Deferment 6–146
General Cancellation Provisions 6–154
Cancellation Restrictions 6-155
Elementary and Secondary Teacher Cancellation 6–156
Public Service Cancellations 6–162
Law Enforcement Cancellations 6–165
Public Defender Cancellation 6–166
Military Service Cancellation 6–167
Early Childhood Education Cancellation (Pre-Kindergarten, Child Care, Head Start) 6–168
Early Intervention (For Disabled Infants/Toddlers) Cancellation 6–169
Volunteer Service Cancellation 6–171
Discharging Perkins Loans 6–171

Chapter 5—Perkins Loan Billing, Collection, and Default 6–181
Communication with Borrowers 6–181
Requirements at End of Enrollment 6–182
Perkins Billing Procedures and Overdue Payments 6–183
Default Reduction Assistance Program 6–188
Perkins Collection Procedures 6–189
Perkins Litigation 6–194
Default Status and FSA Loan Eligibility 6–196
Perkins Cohort Default Rates (CDR) 6–198
Billing and Collection Costs 6–201
Assigning Perkins Loans 6–204

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.

Throughout the Federal Student Aid Handbook we use "college," "school," and "institution" interchangeably unless a more specific use is given. "You" refers to the primary audience of the Handbook: financial aid administrators at colleges. "We" indicates the U.S. Department of Education (the Department, ED), and "Federal Student Aid," "FSA Programs," and "Title IV aid" are synonymous terms for the financial aid offered by the Department.

We appreciate any comments that you have on Volume 6. We revise the text based on questions and feedback from the financial aid community, so please write us at fsaschoolspubs@ed.gov about how to improve the Handbook so that it is always clear and informative.

SIGNIFICANT CHANGES FOR 2021-22

Below, we provide a summary of the significant 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 Act (HEA) as amended.

Throughout Volume 6, we have amended the format and style to reduce the number of sidebars. The sidebar text has not disappeared, however; it has been incorporated into the body text of the chapter.

The Information for Financial Aid Professionals (IFAP) website has been replaced by the Knowledge Center. Hyperlinks to documents on IFAP throughout Volume 6 have been updated to links to the same documents, now hosted on the Knowledge Center.

Chapter 1

- Added guidance on the FISAP, Part II, Application to participate
- Added updated Electronic Announcement/DCL citations for tentative and final funding levels

- Updated the Underuse Penalty and Waiver section with information about COVID-19 related waiver provisions and citations to the Federal Register and Electronic Announcements
- Updated FWS transfer authority temporarily expanded section to include sunset dates and more information on reporting amounts transferred on the FISAP
- Updated the operating hours of the COD School Relations call center
- Updated the FWS/FSEOG nonfederal share waiver guidance
- Updated the Title III/V guidance and hyperlink to the new OPE website
- Added reg citations supporting Title III/V nonfederal share waiver
- Added sunset dates for CARES Act Emergency FSEOG Grants provision
- Added Knowledge Center hyperlink to FISAP reference materials page

Chapter 2

- Added sunset dates and Federal Register citations for the FWS Community Service waiver
- Added sunset dates for all provisions described in the CARES Act FWS Flexibilities graphic box
- Added information on applying to participate in the Work-Colleges program, along with DCL/EA citations

Chapter 3

- Updated citations for the Distribution of Assets process
- Updated the graphic box narrative on how to navigate to the Perkins Liquidation and Assignment Guide, now hosted on the Knowledge Center

Chapter 4

- Low-income individual discussion in graphic box updated with new dates, numbers, and Federal Register citation
- Added new subsection under Discharging Perkins Loans with guidance on the Streamlined loan death discharge option, including regulatory and Electronic Announcement citations

Chapter 5

- Added new hyperlinks to resources on the Knowledge Center
- Added citation to the latest FISAP Instruction booklet: Electronic Announcement of June 3, 2020

Comments? Questions?

If you have any comments or questions regarding the FSA Handbook, please contact Research and Publications via email at *fsaschoolspubs@ed.gov*.

Campus-Based Programs Common Elements

CHAPTER 1

CAMPUS-BASED PROGRAMS OVERVIEW

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

Federal Perkins Loan Program

The term Perkins Loans includes Federal Perkins Loans, National Direct Student Loans (NDSL Loans), and National Defense Student Loans. The authority to make new Perkins Loans provided under the Perkins Loan Extension Act of 2015 has expired. No Perkins disbursements of any type are permitted under any circumstance after June 30, 2018. For more on administering the Perkins winddown, see Chapter 3 of this volume.

Federal Supplemental Educational Opportunity Grant (FSEOG) Program

The Federal Supplemental Educational Opportunity Grant (FSEOG) Program provides assistance to exceptionally needy undergraduate students. Students are considered exceptionally needy if they have the lowest Estimated Family Contributions (EFCs). For FSEOGs, first awarding priority must be given to Pell Grant recipients. Schools selecting FSEOG recipients must use the selection criteria discussed in Chapter 6 of *Volume 3.*

Federal Work-Study (FWS) Program

The Federal Work Study (FWS) program 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. For more on FWS requirements, including community service activities, see Chapter 2 of this Volume.

Campus-Based regulatory citations
Perkins 34 CFR 674.1, FWS 34 CFR 675.1, FSEOG 34 CFR 676.4

PROGRAM PARTICIPATION AGREEMENT (PPA)

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 (see *Volume 2, School Eligibility and Operations*), the Department sends an electronic notice to the president and chief financial aid officer notifying them that the school's PPA is available to print, review, sign, and return.

The basic list of 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. In addition to the requirements generally applicable to the Title IV programs contained in the PPA, there are also specific requirements unique to the Federal Perkins Loan and FWS programs.

Perkins PPA requirements

The authority to make new Perkins Loans provided under the Perkins Loan Extension Act of 2015 has expired. No Perkins disbursements of any type are permitted under any circumstances after June 30, 2018. If you awarded a Perkins Loan after September 30, 2017, or made a disbursement after June 30, 2018, the award or disbursement was made in error and must be corrected. In this case, you must 1) reimburse the Perkins Loan Revolving Fund for the amount of the loan(s), 2) correct the FISAP, 3) notify the borrower, and 4) update NSLDS accordingly. For more details, see DCL GEN-17-10 and the Electronic Announcement of Dec 20, 2018.

As long as a school is continuing to service its Perkins Loan portfolio, it is required to continue reporting its Perkins Loan Activity annually on its Fiscal Operations Report and Application to Participate (FISAP). Until the school chooses to liquidate, the agreement for the Federal Perkins Loan Program requires the school to establish and maintain a fund and to deposit into the fund:

- any Federal Capital Contribution (FCC) the school previously received for the program. (Congress has not authorized any FCC for the Perkins Loan Program since the 2004–2005 award year);
- the Institutional Capital Contribution (ICC), previously deposited into the Fund;
- payments the school receives for repayment of loan principal, interest, collection charges, and penalty or late charges on loans from the fund;
- 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).

The institution shall use the money in the Fund only for:

- distribution of assets provided for in section 466 of the Higher Education Act (HEA);
- litigation costs (see § 674.47); and
- 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).

Federal Work-Study PPA requirements

Under the PPA, 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 PPA, 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.

Program participation requirements

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

DETERMINING STUDENT ELIGIBILITY

Each Campus-Based Program has program-specific eligibility criteria. However, before applying the program-specific program criteria, a school must determine that a student satisfies the general student eligibility criteria for receiving Title IV funds.

To be eligible to receive Title IV funds, a student must be **enrolled** as a **regular student** in an **eligible educational program** at an **eligible institution** for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that institution and meet the student eligibility criteria specified in 34 CFR 668.32 through 668.34 (34 CFR 668.32(a)(1) (i)).

Enrolled–The status of a student who (1) Has completed the registration requirements (except for the payment of tuition and fees) at the institution that he or she is attending; or (2) Has been admitted into an educational program offered predominantly by correspondence and has submitted one lesson, completed by him or her after acceptance for enrollment and without the help of a representative of the institution. (34 CFR 668.2)

Regular Student–A person who is enrolled or accepted for enrollment at an institution for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that institution (34 CFR 600.2).

Eligible Educational Program–(1) A legally authorized postsecondary program of organized instruction or study that: (i) Leads to an academic, professional, or vocational degree, or certificate, or other recognized educational credential, or is a comprehensive transition and postsecondary program, as described in 34 CFR 668.8.

Eligible Institution–An institution that qualifies as an institution of higher education, as defined in 34 CFR 600.4; a proprietary institution of higher education, as defined in 34 CFR 600.5; or a postsecondary vocational institution, as defined in 34 CFR 600.6; and meets all the other applicable provisions of 34 CFR 600.2.

THE CAMPUS-BASED FUNDING PROCESS

Fiscal Operations Report—The Application to Participate (FISAP)

The FISAP is divided into six parts:

- Part I – Identifying Information and Certifications;
- Part II – the Application to Participate in the Campus-Based Programs in the upcoming award year;
- Part III – the Fiscal Operations Report, in which schools provide information on all Perkins activity made during the award year just completed;
- Part IV – the Fiscal Operations Report, in which schools provide information on the FSEOG expenditures;
- Part V – the Fiscal Operations Report, in which schools provide information on the FWS expenditures; and
- Part VI – Program summary for award year by student type.

Any school that wants Campus-Based Program funds for an upcoming year and all schools that have received Campus-Based Program funds for the reporting year, or are still servicing their Perkins Loan portfolio 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 FISAP to determine the amount of funds your school will receive for the FWS and FSEOG programs. The Department uses your Fiscal Operations Report data to manage the Federal Perkins Loan Program and monitor expenditures in the Campus-Based Programs.

For program review and audit purposes, you must retain accurate and verifiable records for the later of 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 October 1, 2021 ends on June 30, 2022 (Award year = July 1, 2021–June 30, 2022). You must retain all records used in the creation of the FISAP due on October 1, 2021 until June 30, 2025 (three years from June 30, 2022—the end of the award year in which the FISAP is submitted).

The important dates for schools in the FISAP award process are:

- *August 1*—Deadline for ED to make the FISAP software available in the Common Origination and Disbursement (COD) System.
- *October 1* (*or the Friday before if October 1 falls on a weekend*)—the final deadline for submitting the FISAP to the Department through the COD website and mailing the signature page.
- *December 15 (or the Friday before if December 15 falls on a weekend)—A*ll corrections to FISAP data and resolution of edits must be submitted to the Department through the FISAP corrections process, and you must update your Federal Perkins cash on hand; both are done on the COD website.
- *February 1*—ED sends tentative award notifications to all eligible schools.
- Mid-February—Closeout of FWS and FSEOG (as reported on the FISAP due in October) occurs in the G5 system.
- *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.

FISAP Part I, Identifying information & certifications

Schools submit the FISAP through the Common Origination and Disbursement (COD) website, available at: **cod.ed.gov.** The FISAP is available for completion on the COD website by August 1 of each year (see the June 3rd, 2020 Final 2021-22 FISAP Form, Instructions, and Desk Reference on the Knowledge Center). The FISAP 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 website.

Schools may also make FISAP corrections on the COD website by the December 15th deadline. If the correction deadline has already passed, you may submit a FISAP Change Request in COD, which will be reviewed by FSA. For more information on amending previous submissions, see Volume 5.

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, Institutional Eligibility and Operations*, for more information on these requirements.

The Chief Executive Officer's signature is required on all forms that require a signature within the COD system. All forms must be signed and submitted by the appropriate deadline date. **The Department will only accept the FISAP signature form manually.** The eSignature process has been discontinued. 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 manual signature, and mail these documents (with the original signature) to the address above.

Send certification/signature pages to:

FISAP Administrator
U.S. Department of Education
P.O. Box 9003
Niagara Falls, NY 14302

Overnight Delivery:

U.S. Department of Education
2429 Military Road, Suite 200
Niagara Falls, NY 14304

Campus-Based Call Center

For assistance submitting corrections for closed years or for questions concerning the preparation of the FISAP, contact the COD School Relations Center at 800-848-0978 and CODSupport@ed.gov.

Annual Campus-Based Deadlines

The Campus-Based Deadline dates Federal Register (FR) notices are listed by year at: **https://fsapartners.ed.gov/knowledge-center/topics/campus-based-processing-information/campus-based-deadlines**

FISAP Part II, Application to Participate

Part II of the FISAP is the Application to Participate. In Part II, you request an amount of FSEOG and FWS funding for the application year, as well as report on data from the reporting year which is used in the funding formula. Changes to your data in Part II from year to year can prompt changes in funding levels. FISAP validation edits are triggered when there are very significant changes in a school's data from the prior year, and are indicative of potential reporting errors.

Besides verifying the accuracy of your Part II data upon submission (and making any necessary corrections prior to the December 15th FISAP correction deadline), as noted later in this chapter, you should also review your tentative funding worksheet as soon as it is made available (by February 1st) in order to plan for any changes in funding levels as a result of Part II changes. It is imperative that you report any concerns with your tentative funding levels to the COD School Relations Center in a timely manner, as funding increases may only be considered before final awards are generated (by April 1st)..

Parts III through VI of the FISAP are also known as the FISOP, or Fiscal Operations Report. For more on the FISOP, see the Fiscal Operations Report section later in this chapter.

Treatment of FWS in 90/10 calculation

The 90/10 rule caps the percentage of revenue that a proprietary school can receive from federal financial aid sources at 90%. The remaining 10% of revenue must come from other, nonfederal sources. 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 further 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.

Release of tentative and final funding levels

Your school's funding levels and corresponding worksheets will be posted in the "Self-Service" area on the COD website at cod.ed.gov. Your school's Campus-Based contact person will be notified by email when the tentative and the final funding levels are issued. It is imperative that schools review the tentative funding levels on the COD website before the school's final funding is determined. If you feel that either the tentative and/or final funding levels are not correct, contact the COD School Relations Center at 800-848-0978. For more details, see the 2021-22 Final Funding Electronic Announcement, HEA 462(a), and 34 CFR 673.4.

Allocation of FWS & FSEOG funds

The Department allocates funds for the FWS and FSEOG 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 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 program in which the school participates.

- ***Supplemental Allocation***—an additional amount of funds from the Department that is reallocated from the amount of unused 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 and final funding worksheet

If your school submits the FISAP by the October 1 deadline, 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 an annual Electronic Announcement (EA), the Department notifies 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: **cod.ed.gov.** For more information about how Campus-Based funding levels for each program are determined, see the 2021-22 Final Funding Electronic Announcement and the associated worksheets.

To access your school's final funding level worksheets and individual school awards, log in to the COD website and select "Campus-Based" from the School tab, then select Self-Service from the left navigation menu.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.

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.

The final funding 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.

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

- your school lost its eligibility to participate in Title IV programs;
- your school is a new applicant for the Title IV 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

- 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. For additional information about 2021-22 Campus-Based allocations, contact the COD School Relations Center via phone, at 1-800-848-0978, or email, at: CODSupport@ed.gov.

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 the month of August following the award year. These released funds can be reallocated to schools that need additional funds for the upcoming award year.

Each year in July, the Department posts an EA at fsapartners.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 (see the Information about Reallocation Electronic Announcement of July 7, 2020). The Reallocation Form for schools wishing to return funds or request supplemental FWS funds can be found in the Forms and Waivers page of the Campus-Based Section of the COD website (cod.ed.gov).

You must complete the Campus-Based Reallocation Form (due August 16, 2021) 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 chapter).

A school may request supplemental FWS funds if it:

- 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 (this requirement is waived for the 2021-22 award year), **and**
- has 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.

Releasing unexpended fund, reduction and reallocation
34 CFR 673.4(d)(3)

Underuse Penalty and Waiver

In a normal year, if a school returns more than 10% of its allocated funds for a given award year in the FWS or FSEOG 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 returned more than 10% of its 2018–2019 allocation, its 2020–2021 allocation may have been reduced by the dollar amount returned for 2018–2019.

However, due to conditions resulting from the COVID-19 pandemic, schools that return more than 10% of their 2019-20 allocation for FWS and/or FSEOG do not need to request an underuse waiver. The underuse penalty will not be applied to any 2021-22 FWS or FSEOG awards, and the waiver will be automatically applied for 2021-22 FWS and FSEOG awards, per the August 3, 2020 Electronic Announcement. Requests for underuse waivers due to underuse which occurs during the 2020-2021 award year must be made in the COD system under normal timeframes and requirements.

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 instructions.

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 instructions and in an annual EA.

Underuse penalties and waivers for Campus-Based programs
OPE Electronic Announcement 21-05
Federal Register Notice December 11, 2020

PAYMENT METHODS AND CONDITIONS

A school should not request funds in excess of the actual disbursements it has made or will make to students within the timeframe allowed. Before requesting and disbursing Title IV program funds, schools must meet certain conditions. These conditions vary depending on the way ED provides funds to schools. Since these payment methods aren't specific to the Campus-Based programs, they are not described here, but are located in *Volume 4, Processing Aid and Managing FSA Funds.*

TRANSFER OF CAMPUS-BASED FUNDS

To help meet their students' need, schools may transfer funds to and from the FSEOG and FWS programs. The Department's permission is not required. A school's future allocations for the FWS and FSEOG 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.
- A school may not transfer funds carried forward or back from other award years to a different Campus-Based program.
- You may not transfer funds from one program to another unless you have a federal allocation/authorization in both programs.

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 FSEOG) and in the year received.

Descriptions of individual program fund transfers follow.

FSEOG transfers

A school may normally transfer up to 25% of the sum of its initial and supplemental FSEOG allocation to its FWS allocation (see note below on temporarily expanded FWS to FSEOG transfer authority). Funds carried to the next year or carried back to the previous year do not change the basis for the 25% maximum transfer. **(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 must match any FSEOG funds transferred to FWS at the matching rate of that FWS program, but the match doesn't have to be made until the transfer has occurred.

FWS transfer to and from FSEOG

U.S.C. 1095, HEA section 488

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. A school may transfer up to 25% of the sum of its initial and supplemental FWS allocations for an award year to its FSEOG Program. 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.

FWS transfer authority temporarily expanded

Section 3503 of the CARES Act states that "during a qualifying emergency, institutions of higher education may transfer their unexpended allotments from the Federal Work-Study program to their allotments for the Federal Supplemental Educational Opportunity Grant program." You may transfer up to 100 percent of unexpended FWS funding to the FSEOG program for an award year in which a qualifying emergency is in effect. This flexibility can only be used during a qualifying emergency, as defined in section 3502 of the CARES Act. This provision remains in effect until the end of the payment period that includes the last date the COVID-19 national emergency is in effect.

Any amounts transferred must be reported in Part IV, Section B, Field 2, and Part V, Section B, Field 4a of the FISAP. Edits 08011, 09043, and 09190 may result, in which case, a brief, one-line explanation will suffice to resolve the edits. For more details, see the Electronic Announcements of May 15, 2020 and August 3, 2020.

Perkins transfers prohibited

The authority to make Perkins Loans has expired. Since schools are no longer making awards for the Perkins Program, schools are no longer permitted to transfer Perkins funds into the other Campus-Based programs.

Transfer of Campus-Based funds

34 CFR 674.18(b), 34 CFR 675.18(e)

FSEOG AND FWS CARRY FORWARD/CARRY BACK

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

Your school must match FWS or FSEOG funds carried forward or carried back in the award year that they are spent. See *Federal and Nonfederal Shares (Matching)* section below. A school's future FWS or FSEOG program allocation is not affected by carrying forward or carrying back funds between award years. For more detail, see 34 CFR 675.18(b)(c)(d)(e) & (f). **A school may not transfer funds carried forward or back from one Campus-Based program to a different Campus-Based program.** FWS and FSEOG funds that are carried forward and/or carried back must be spent in the award year in which they were carried forward or back. The same funds cannot be carried across more than one 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 2020–2021 to 2021–2022, it may not include the $10,000 in the total 2020-2021 allocation for these three purposes. For these purposes, the 2021-2022 percentage is based on a school's total 2020-2021 FWS initial allocation for the 2020–2021 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 2020–2021 allocation to be spent in 2021–2022, the school must report this amount on the FISAP in Part V of the Fiscal Operations Report for both 2020-21 and 2021–2022 due October 1.

Questions about Transferring Funds or Carrying Them Forward or Back

If you have questions regarding FSEOG and FWS fund adjustments, transferring funds, or the carry forward and carry back authority, contact the COD School Relations Center at: 1-800-848-0978. Customer service representatives are available Monday through Friday from 8:00 AM until 8 PM (EST). You may also email the center at: CODSupport@ed.gov.

FEDERAL AND NONFEDERAL SHARES (MATCHING)

A school's FWS and FSEOG expenditures are composed of both both federal and nonfederal funds. With the exception of certain schools (see below), schools that participate in these programs must provide nonfederal funds as a *match* for the federal funds they receive. The specific matching requirements for each program are different. For more detail on the requirements of federal and nonfederal shares, see the program-specific sections below and in Chapter 2.

Federal share of FSEOG

In general, the federal share of 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*** below).

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

Federal Share
34 CFR 674.8(a), 34 CFR 675.26, 675.33(b), and 34 CFR 676.21

FSEOG Nonfederal share

The school must ensure there is a nonfederal match of at least 25% of the total FSEOG awards. The nonfederal share of FSEOGs must be made from nonfederal resources which the school may allocate. 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.

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*** below).

Before you may disburse FSEOG funds for an award period, you must have already satisfied the required nonfederal match (regardless of when in the award period the disbursements are made). The school's resources used to meet the nonfederal match must be disbursed either before or at the same time as the federal dollars are disbursed. 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 such that all requirements for the nonfederal match are satisfied. If this is done, the written documentation of amounts and timing of this must be kept on file at the school.

Types of nonfederal FSEOG matching

There are several ways to calculate FSEOG to ensure you are meeting the nonfederal FSEOG match requirement.

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 each 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 must ensure 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. If you use the aggregate basis method, you document what portion of total federal *and* qualified nonfederal funds awarded to all FSEOG recipients comes from federal funds and what portion of total funds awarded to all FSEOG recipients comes from federal funds and what portion comes from nonfederal funds. **However, even with the aggregate basis method, each of your FSEOG recipients must receive some FSEOG federal funds.**

For example, if you award a total of $60,000 to all FSEOG recipients in an award year, you must ensure that no more than $45,000 comes from federally allocated funds and at least $15,000 comes from nonfederal funds. You 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. 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 matching

The school establishes an FSEOG account for federal program funds and deposits the required 25% qualified nonfederal matching share into the fund. Schools using the fund-specific method must deposit their institutional match at the time they receive the federal share funds. The nonfederal 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. 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 FSEOG
34 CFR 676.21(c)

Federal share of Perkins

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

Emergency CARES Act waiver of FSEOG & FWS nonfederal share

Section 3503 of the CARES Act **waived** the nonfederal matching share requirement associated with the Federal Work-Study (FWS) and Federal Supplemental Educational Opportunity Grant (FSEOG) programs for the 2019-2020 and 2020-2021 award years, but not the 2021-22 award year.

Beginning with the 2021-22 award year, your school may no longer reimburse itself from the FWS allocation for the nonfederal portion of wages paid to students on or after March 13, 2020. Similarly, the provision for a school to reimburse itself from the FSEOG allocation for the nonfederal portion of FSEOG awards also expired at the end of the 2020-21 award year. For more information, see the Electronic Announcements of May 15, and August 21, 2020.

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 at the "Application for Designation as an Eligible Institution" page on the OPE/IS website at:

https://hepis.ed.gov/title3and5

Institutions that are determined to be eligible for Title III/V status automatically receive the waiver of the nonfederal share requirement for the Campus-Based Programs for the 2021-22 award year, and no further action is required. 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 further consideration. Eligibility for Title III and Title V programs is determined by the Office of Postsecondary Education (OPE) at the location level (8-digit OPEID), while the Campus-Based funds are awarded at the main campus level (6-digit OPEID) only. **This waiver is authorized for use only by the campuses that have been designated by OPE as eligible to participate in the Title III or Title V program.** The institutional match must be provided for any portion of your school's 2020-21 FSEOG and FWS funds expended at a main, location, or branch campus that has not been designated as Title III or Title V-eligible (provided that campus was eligible to apply for Title III/V eligibility independently).

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 JLD Program are not waived under the Title III or Title V designations; this waiver only applies to FWS and FSEOG nonfederal share.

For branch campuses that are designated as eligible but the main campus is not designated as eligible, you will need to work with the main campus on funding and claiming the waiver for the branch campus.

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 is 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.

Questions About Title III or V Eligibility

General electronic announcements will be posted to the Knowledge Center regarding the Title III or Title IV process. 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
Institutional Service
400 Maryland Avenue
Washington, DC 20202

and

Christopher Smith
Email: christopher.smith@ed.gov
Tel: 202-453-7946

Jason Cottrell
Email: jason.cottrell@ed.gov
Tel: 202-453-7530

For questions about the Title III/V waiver of the nonfederal share requirement for the FWS and FSEOG programs, contact the COD School Relations Center at: 1-800-848-0978. Customer service representatives are available Monday through Friday from 8:00 a.m. until 11:00 p.m. (ET). You may also email the center at: CODSupport@ed.gov.

Designation as a Title III or Title IV Institution and FWS/FSEOG nonfederal share waiver
DCL CB-21-04
34 CFR 675.26(d), 34 CFR 676.21(b)

ADMINISTRATIVE COST ALLOWANCE (ACA)

A school participating in the Campus-Based Programs is entitled to an ACA for an award year if it 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. 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. As no Perkins funds may be disbursed for any reason, **schools are NOT permitted to claim an ACA for the Perkins Loan Program.**

The amount of the ACA is calculated as a percentage of the school's expenditures to students for an award year under the FSEOG and FWS programs:

5% of the first $2,750,000 of a school's
FSEOG and FWS expenditures to students

+

4% of FSEOG and FWS expenditures
greater than $2,750,000 but less than $5,500,000

+

3% of FSEOG and FWS expenditures
equal to or greater than $5,500,000

When a school calculates its ACA for the award year, the school must 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. Also, 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.

The school takes the ACA out of the annual authorizations the school receives for the FSEOG and FWS programs. It is not a separate allowance sent to the school. A school may draw its ACA from any combination of FSEOG and FWS, 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 ACA from a Campus-Based Program unless the school has already disbursed funds to students from that program during the award year. Since schools are no longer making Perkins loans, they may not request ACA based on Perkins disbursement activity.

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.

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

Deadline for making ACA changes

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 incurred. All claims to ACA as reported on the FISAP are treated as final as of the December 13th correction deadline. After that date, decreases to ACA are permissible as necessary, but increases will not be accepted. For more details, see 34 CFR 673.7(g), 673.4(f), and 673.4(g).

ACA calculation 34 CFR 673.7

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 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 for Advance Payment:

Anticipated Disbursements
minus Balance of Cash on Hand
minus Anticipated Recoveries
minus ACH/EFT Cash in Transit
equals Projected, Immediate Need

FSEOG and FWS timing

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.

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.

When a school initiates a drawdown from G5, a school should consider that processing requests within G5 typically takes one to three business days. You should also know whether your school uses 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 in to G5 using the 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 p.m. Eastern time (ET), or two business days later if submitted after 3 p.m. For payments by FEDWIRE, the default deposit date is the current date if the request is submitted before 2 p.m.

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.

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. The award would then be disbursed in a single disbursement.

A single term FSEOG award may be disbursed in a single disbursement of less than $501.

In-kind payments as part of nonfederal share

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.

ET, or the next business day if submitted after 2 p.m. 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: 1-888-336-8930**
Email:	**edcaps.user@ed.gov**

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.

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 while receiving the FSEOG award in question:

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

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, Calculating Awards & Packaging*.

Two-Factor Authentication and G5

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 has implemented 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; 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 an unauthorized individual to gain access to government systems. Once both the first and second factors are validated, users are allowed into the G5 system. You can find training on TFA at 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 at Phone number: 1-888-336-8930, Email: edcaps.user@ed.gov, or go to the self-help portal at: edcaps.force.com to submit a ticket.

CARES Act Emergency Aid FSEOG Grants

The CARES Act (Section 3504) provides that a school may use any amount of its FSEOG allocation (including funds transferred from FWS) to award emergency financial aid grants to assist undergraduate or graduate students for unexpected expenses and unmet financial need as the result of a qualifying emergency. Eligibility for grants is determined by your school, based on the parameters established in the CARES Act. Grants are to be made for unexpected expenses and unmet financial need. This provision remains in effect until the end of the payment period in which the COVID-19 national emergency is declared over.

Your school may contract with scholarship-granting organizations for the purpose of accepting applications from or disbursing FSEOG Emergency Aid Grants to students, provided students receive the entire amount of the grant with no FSEOG funds used to pay for such contracts. FSEOG awarding rules, i.e., exceptional need, with grants made first to Pell eligible students having the lowest Expected Family Contributions, are waived for the purpose of making FSEOG Emergency Aid Grants. FSEOG Emergency Aid Grants are not considered Estimated Financial Assistance. For more detail, see the Electronic Announcements of May 15, 2020 and August 21, 2020.

Uneven costs/unequal FSEOG 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 proportionate to the corresponding uneven costs.

Internal controls in the FSEOG Program—reconciliation, fiscal, and program records

Your school must reconcile, at least monthly, your FSEOG draw downs 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. If you have a balance in your G5 account after closeout, your FSEOG acccount is **not** fully reconciled.

In addition, you should examine your FSEOG program records and policy monthly. For example, 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?

Payment of FSEOG
34 CFR 676.16(a)
Uneven costs/uneven payments: 34 CFR 676.16(b)
Payment periods: 34 CFR 668.4

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. Perkins recordkeeping is addressed in Chapter 3 of this Volume.

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.

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.

Campus-Based recordkeeping requirements
34 CFR 668.24(d)(2) & (f)

FSEOG recordkeeping

In addition to following the fiscal procedures and records requirements mentioned in this chapter 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 in an electronic system, you should identify FWS funds 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 employee 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. You 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 each day.

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, Institutional Eligibility and Operations,* 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 Master Promissory Note** (MPN) **are satisfied**, accepted for assignment by the Department, **or until the original note or MPN is no longer 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. Schools that use the e-sign process must retain information on loans that have been assigned to and accepted by the Department under 674.50(c)(12).
- 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.

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.

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

THE FISCAL OPERATIONS REPORT

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 reports on the Perkins Loan activity in the award year.
- Part IV reports on the FSEOG activity in the award year.
- Part V reports on the FWS activity in the award year.
- Part VI reports on summary activity for all of the Campus-Based Programs in the award year.

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 documents

You can access FISAP reference material at:
https://fsapartners.ed.gov/knowledge-center/library/resource-type/FISAP%20Form%20and%20Instructions

FISAP —Part III, the Federal Perkins Loan section

You must complete Part III if your school:

- is continuing to service its loans in the Federal Perkins Loan Program; or
- is liquidating its Federal Perkins Loan portfolio. You must complete this section 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. The data your school reports in this section must match the data your school reported to the Department's National Student Loan Database (NSLDS) system. **If the data does not match, you must reconcile the data and correct all discrepancies.**

  Note: Schools are required to report 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 at least twice a year.

- ***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 forward one year with each FISAP (i.e. from 2020-21 to 2021-22). 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 during the award year use a three-year cohort.

For more on Part III of the FISAP, see the 2020 FSA Conference presentation entitled "Submitting the FISAP," at https://fsaconferences.ed.gov/2020sessionlist.html.

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.

FISAP—Part V, the FWS section

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.

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.

Fiscal procedures and records
34 CFR 676.19

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.

The Federal Work-Study Program

CHAPTER 2

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 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.

In a normal year, but not in 2019-20, 2020-21, or 2021-22 (see note below on waiver of FWS community service requirements), your school *must* use at least 7% 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.

Waiver of FWS Community Service Requirements for 2019-20 through 2021-22 award years

Until the end of the award year in which the COVID-19 national emergency is declared over, the FWS community service expenditure requirements are waived. This includes the requirement to allocate at least 7% of your school's federal FWS allocation to pay the federal share of wages to students in community service jobs, as well as the requirement to employ one or more of the school's FWS students as a reading tutor for children in a reading tutoring project or performing family literacy activities in a family literacy project. See the December 11, 2020 Federal Register Notice on the Knowledge Center.

Student eligibility for FWS
34 CFR 675.9

Selecting students
34 CFR 675.10

FEDERAL & NONFEDERAL SHARE OF FWS WAGES

In general, the federal share of 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% when:

    1. the student is employed as a reading or mathematics tutor for preschool age children or children who are in elementary school; or
    2. 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

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 the circumstances described in this paragraph. 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. For more details on Title III and V eligibility, see *Chapter 1* of this Volume.

Note: The federal share of allowable costs in carrying out the Job Location and Development (JLD) Program may not exceed 80% of such costs. For the full discussion of the JLD Program, see the *Job Location and Development Program* section later in this chapter.

FWS federal share
34 CFR 675.26

FWS at Private for-profit organizations
34 CFR 675.26(a)(3)

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

90% FWS federal share
34 CFR 675.26(a)(2)

Timing of FWS institutional share and noncash contributions
34 CFR 675.16(e)

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.**

A school does not need the student's permission when making the match with services and/or equipment. **However, 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:

- use it to reduce the federal share on a dollar-for-dollar basis;
- hold it in trust for off-campus employment during the next award year; or
- refund it to the off-campus employer.

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.

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.

Nature and source of FWS institutional share
34 CFR 675.27

FWS CONDITIONS & LIMITATIONS OF EMPLOYMENT

All FWS work, whether on campus or off campus, has certain conditions and limitations. FWS employment must be governed by those employment conditions. One of these conditions is an appropriate rate of pay, 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. Replacement is interpreted as displacement. 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. 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. 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.

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.

Working During Scheduled Class Time 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 FWS Overtime

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 would create an overaward in the student's financial aid package.

FWS Eligible employers
34 CFR 675.20(a)

FWS Employment conditions, limitations, and academic credit
34 CFR 675.20(c),(d)
Fees or commissions prohibited: 34 CFR 675.27(b)

FWS wage rates
34 CFR 675.24

Replacement of workers prohibited
34 CFR 675.20(c)(2)(ii)

Disasters—Flexible Use of FWS 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[1] 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. For more details, see 34 CFR 675.18(i).

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 of the United States, 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)

1. ***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 make up the hours or to be reassigned to another FWS job.

CARES Act FWS flexibilities

The CARES Act allows schools certain flexibilities in addressing the challenges arising from the COVID-19 pandemic. In order to utilize these flexibilities, schools must be responding to difficulties caused by a "qualifying emergency," which is defined in Section 3502 of the CARES Act.

FWS Federal Share Waiver expired (CARES Act Sec 3503)
The Department waived the requirement that a participating institution of higher education provide a non-Federal share to match Federal funds provided to the institution for the FWS and FSEOG programs for the 2019-2020 and 2020-2021 award years, **but not the 2021-22 award year**.

FWS 100% Transfer provision
Section 3503 of the CARES Act also allows an institution to transfer up to 100 percent of its unexpended FWS allocation to FSEOG. This waiver ends at the end of the payment period in which the COVID-19 National Emergency is declared over.

FSEOG Emergency Aid Grants (CARES Act Section 3504)
The CARES act also provides that an institution of higher education may use any amount of its FSEOG allocation (including funds transferred from FWS) to award emergency financial aid grants to assist undergraduate or graduate students for unexpected expenses and unmet financial need as the result of a qualifying emergency. This waiver ends at the end of the payment period in which the COVID-19 National Emergency is declared over. For more details, see chapter 1 of this volume.

Waiver of FWS Community Service requirement
For the 2019-20 through 2021-22 award years, the FWS community service expenditure requirements are waived. This includes the requirement to allocate at least 7% of your school's federal FWS allocation to pay the federal share of wages to students in community service jobs, as well as the requirement to employ one or more of the school's FWS students as a reading tutor for children in a reading tutoring project or performing family literacy activities in a family literacy project. This waiver ends at the end of the award year in which the COVID-19 National Emergency is declared over.

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 job duties and 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 or role of the position within the organization;
- duties and responsibilities associated with the position and how they relate to the purpose or 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 or 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

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. You 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, you 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.

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:

https://www.dol.gov/agencies/whd/minimum-wage

FWS pay must also 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. If the state or local law allows a wage that is less than the federal minimum wage, the FWS student must still be paid at least the federal minimum wage.

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 subminimum wage rate to students in FWS jobs.

Wage rates
34 CFR 675.24
FWS minimum wage: Dear Colleague Letter CB-96-23

FWS timesheets and payroll vouchers
34 CFR 675.19 (b)

Federal share may not be used to provide fringe benefits

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

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 2. chapter 7*.

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 as discussed in chapter 1 of this volume.**

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).

Student Exception to FICA Tax

FICA 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. 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

*Social Security and Medicare, including old age, survivors, and disability insurance tax (OASDI)

PAYING STUDENTS

A student's FWS compensation is earned when the student performs the work, and the school must ensure that the student is paid 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 within that award 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 within that award 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 (only after **obtaining written authorization from the student**).

Student's written authorization

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.

Payments to students
34 CFR 675.16, 668.164(d)(1)(i)

Earnings applied to cost of attendance
34 CFR 675.25

Holding FWS funds
34 CFR 675.16(d)(5)

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

Records of noncash FWS payment

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 monitoring, 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.

Crediting student accounts

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.

Holding FWS funds

A school receiving funds under any payment method other than advance payment (see *Volume 4*) may not hold FWS funds for students. Schools using advance payment 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.

Fiscal procedures and records
34 CFR 675.19

FWS 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. A student may start an FWS job and 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.

To start an FWS job for the next period of enrollment, 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.)

FWS DURING PERIODS OF NONATTENDANCE

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. This may include a period during which the student has not yet begun his/her program, but he/she must be planning to enroll (or to reenroll) and must have demonstrated financial need for the next period of enrollment. The student's FWS earnings (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 or prior to a period of attendance was 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.

Earnings for periods of nonattendance
34 CFR 675.25(b)

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. In this case, 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 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 term/mini-sessions. For more detail on combining mini-sessions and academic calendars, see Volume 3, *Calculating Awards and Packaging*.

GARNISHMENT OF FSA FUNDS PROHIBITED

FWS earnings are not subject to garnishment or attachment except to satisfy a debt owed to the Department.

Schools must oppose any garnishment order they receive for any other type of debt. If your school is not the employer in an off-campus employment arrangement, it must notify off-campus employers that garnishment of FWS wages is not permissible.

Garnishment and attachment prohibited
HEA 488A(d)

PAYMENT FOR FWS TRAINING AND/OR TRAVEL

A student may be paid for training for any FWS employment and/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.**

Training and travel
34 CFR 675.18(h)

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

Your school must reconcile, at least monthly, your FWS draw downs 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 award year and monthly thereafter:

- Do you have a method for verifying that 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

THE FIRST AND SECOND COMMUNITY SERVICE REQUIREMENTS DESCRIBED IN THIS SECTION ARE WAIVED FOR THE 2019-20 THROUGH 2021-22 AWARD YEARS. FOR MORE DETAILS SEE THE DECEMBER 11, 2020 ELECTRONIC ANNOUNCEMENT.

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(s), including any supplemental allocations (see *Supplemental FWS awards & minimum community service expenditures* section below), for an award year to pay the federal share of wages to students employed in community service jobs for that year. **THIS REQUIREMENT IS WAIVED FOR 2019-20 through 2021-22.**
2. 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.

THIS REQUIREMENT IS WAIVED FOR 2019-20 through 2021-22.

3. A school that requests and receives supplemental FWS funds must spend 100% of the supplemental amount in community service positions. **THIS REQUIREMENT WAS NOT WAIVED, AND REMAINS IN FORCE.**

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 (LST) 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.

Supplemental FWS awards & minimum community service expenditures

When a school receives supplemental/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, minus any amount of FWS federal funds you returned through the reallocation process or earlier

  OR

- 100% of your FWS supplemental allocation (unless you have received an approved waiver from the Department).

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. Reading tutors may provide tutoring to some group that would not be considered part of the community. For example, the population of an institution of higher education is not considered "open, accessible, and used by the community at large," and therefore, in this context, is not considered a community.

FWS community service requirements

- Community service DCL CB-07-08, 34 CFR 675.18(g)
- Family literacy project DCL CB-98-6
- Electronic Announcement April 23, 2020
- Federal Register Notice, December 11, 2020

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 di-

sasters, acts of terrorism, and other emergency situations; and

- ensure that the students receive appropriate training to carry out the educational services required.

For more detail, see 34 CFR 675.18 (g)(4)(i).

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

A school may request a waiver of the community service and tutor requirements; the request must be submitted electronically before the annual deadline using the Common Origination and Disbursement (COD) website. The fact that it may be difficult for the school to comply with these requirements is not, in and of itself, an acceptable basis for granting a waiver.

The school's waiver request must specify whether the school is requesting a waiver of the 7% community service requirement, the reading tutors of children or family literacy project requirement, or both. The waiver must also include detailed information which demonstrates 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 **COD School Relations Center at 1-800-848-0978**. Schools will be reminded about the waiver process through communications posted to the Knowledge Center website.

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

FWS community service waiver request

EA, FWS Community Service Requirements, March 16, 2020

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 can give the FWS student an enriching and rewarding experience.

Schools must inform students of FWS community service opportunities available in the local community. The PPA also requires your school to work with local nonprofit, governmental, and community-based organizations to identify community service opportunities, including those that provide 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. For more ideas, see the *Establishing FWS community service jobs* graphic at the end of this section.

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:

- fields such 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[1]); 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. However, 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

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

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.

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.

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:

- a reading tutor for preschool-age through elementary school-age children;
- 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.**

Reading and math tutors
34 CFR 675.18(g)(3)

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. Also see 34 CFR 675.2 Definitions; "Community Service."

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.

Community Service Waivers (non-COVID-19)

In the past, the Department 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.

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 Knowledge center 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 COD website at:

COD.ed.gov

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 7% 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 transportation issues

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 / Advanced 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.

E-Announcements of March 16, 2020 and April 23, 2020.
HEA Sec 443(b)(2)(A)
34 CFR 675.18(g)

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' degree 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.

---

* 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.

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.)

Employing FWS Students as Tutors, continued

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)

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 which is not 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.

On-campus employment
34 CFR 675.21

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 FWS 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 FWS job *may not* involve soliciting potential students to enroll at the proprietary school.

In general, FWS jobs that primarily benefit the proprietary school are not student services. For example, jobs in facility maintenance or cleaning are never student services. 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.

Student services are services that are offered to currently enrolled 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 currently enrolled 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. 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.

Proprietary school employment
34 CFR 675.21(b)

Allowable/Prohibited FWS 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)

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

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.

For FWS purposes, a private nonprofit organization is one in which no part of the net earnings of the agency benefits any private shareholder or individual. Such 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 also 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 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 the routine operation 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.

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.

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.

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.

FWS employment prohibited at the Department

Students are prohibited from receiving FWS wages for working at the U.S. Department of Education due to the potential appearance of a conflict of interest. 34 CFR §675.20(c)(2)(v)

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.

Employment by a federal, state, or local public agency, or a private nonprofit organization
34 CFR 675.22

Work for private for-profit organization
34 CFR 675.23

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.

Employment in apprenticeships through the FWS Program

A school may use its 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.

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-14-22, December 18, 2014, for a complete discussion of Apprenticeships and the Federal Student Aid Programs.**

Employment in apprenticeships and Federal Work Study
DCL ID: GEN-14-22

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.

A school must take additional steps if it receives more money under an employment agreement with an off-campus agency than the sum of:

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

In that situation, 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.

Off-campus agreements
34 CFR 675.20(b)

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.**

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 (JLD) PROGRAM

The 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 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 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 participation.

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.

JLD federal share limitation

You may use federal FWS funds to pay up to 80% of the allowable costs in the JLD program (listed in the *JLD **Allowable program costs*** section below). **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.

JLD Allowable program costs

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 that the JLD program 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.

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 X 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.

Students as staff in the JLD Program office

The prohibition against using JLD funds to locate and develop jobs at your school or other eligible schools *does not* mean that your school is also prohibited from employing FWS and non-FWS students 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.

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.

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 arrangement.

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 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.

Use of JLD program funds to develop apprenticeship programs

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.

JLD Program purpose & description
34 CFR 675 Subpart B, 34 CFR 675.31 & 34 CFR 675.32,.33

JLD Allowable costs, use of JLD costs
34 CFR 675.33(a), 34 CFR 675.35(b)(3)

Prohibition on using JLD funds on campus
34 CFR 675.35(a)(3)(i)

Maximum federal funds for JLD Programs
34 CFR 675.32

JLD limits
The amount of FWS funds institutions of higher education may use for the JLD 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

Multi-institutional JLD programs
34 CFR 675.34

WORK-COLLEGES PROGRAM

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

A school interested in participating in the Work-Colleges Program for the 2021-22 award year (including those schools who were already participating in 2020-21) must submit an application to participate by March 1st, 2021. For more details, see Electronic Announcement CB-21-03 on the Knowledge Center.

Allowable work-colleges program costs

Allocated and reallocated 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.

Unallowable work-college program costs

Allocated and reallocated program funds, as well as funds transferred from the FWS program may **not** be used to pay costs related to the purchase, construction, or alteration of physical facilities or indirect administrative costs.

Work-Colleges Program
34 CFR 675
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

Application to participate in the Work-Colleges Program
Electronic Announcement CB-21-03

Comprehensive student work-learning-service program
42 U.S.C. 2756b [HEA Section 448]
34 CFR 675.41(b)

Allowable & unallowable costs
34 CFR 675.45, .46

Multi-institutional programs
34 CFR 675.47

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 (initial plus supplemental) to their Work-College allocation. All FWS funds transferred to the 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 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 are no limits on 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 (5% for the first $2,750,000 spent under campus-based, etc). 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.

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
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;[1] and
   c. Documentary evidence that students received payment for their work, such as photographic copies of canceled checks.

1. 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:

_____

_____

_____

_____

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

_____Federal

_____State

_____County/City

_____United Way

_____Other (explain)

_____

_____

_____

_____

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 _____

Maximum Total Hours per 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 the Perkins Loan Program

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

THE FEDERAL PERKINS LOAN PROGRAM

The Federal Perkins Loan (Perkins) Program included Federal Perkins Loans, National Direct Student Loans (NDSLs), and National Defense Student Loans (Defense Loans). No new Defense Loans were made after July 1, 1972, but a few are still in repayment. No Perkins disbursements of any type were permitted under any circumstances after June 30, 2018. If you awarded a Perkins Loan after September 30, 2017, or made a disbursement after June 30, 2018, the award or disbursement was made in error and must be corrected. In this case, the school must:

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

See the "Perkins Loans Awarded or Disbursed after the Expiration of the Perkins Loan Program" EA of December 20, 2018 for more information on Perkins Loans awarded or disbursed after the expiration of the authority to award new Perkins Loans. For more information on processing Perkins portfolios, go to: the Campus-Based Processing Information page.

Level of Expenditure (LOE)

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

EXCESS LIQUID CAPITAL

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

The Federal Perkins Loan Program
34 CFR Part 674
DCL GEN-17-10

DISTRIBUTION OF ASSETS FROM THE FEDERAL PERKINS LOAN REVOLVING FUND

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

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

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

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

Returning funds to the Department

To ensure accuracy in processing the payment made by a school, when returning the federal share of the Excess Liquid Capital or federal share of funds distributed under the Distribution of Assets process, the school should follow the instructions for the "Perkins Excess Cash" refund type in G5 (https://g5.gov). The instructions are located on the Knowledge Center on the Campus-Based Processing Information webpage. For more details, see the "Electronic process (G5) for returning Perkins Loan funds to the Department" section later in this chapter.

The Department strongly encourages institutions to return the federal share through the G5 *miscellaneous refund* functionality. For schools that have to submit payment by check, the school must follow the process and steps as written in the instructions that include sending an email to **Perkinsliquid@ed.gov,** and also notifying the Department that a check has been sent. In order to initiate a refund in G5, the Payee user must have already entered refund banking information under Payments > Refund Bank Account Maintenance, even if there is already a bank account connected to the Payments functionality.

Please be advised that before submitting a refund via G5, the customer should notify their bank that they will be doing so, as some banks will not release the funds unless notified in advance. The bank should be provided with the following ACH Company ID for the U.S. Department of Education: 910 200 0102. If you have questions about the Distribution of Assets process, please contact the COD School Relations Center, at 1-800-848-0978.

Distribution of Assets
Electronic Announcements of September 10, 2019 & October 15, 2019, and October 20, 2020
HEA Sec. 466(a)

PERKINS PROMISSORY NOTE

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

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

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

When the borrower has fully repaid the Perkins Loan, your school must either notify the borrower in writing, or mark the **original** note "paid in full" and return it to the borrower. After returning the original note, **your school must keep a copy of the note for at least three years after the date the loan was paid in full.** Remember, when a loan has been repaid, your school must update the loan's status in NSLDS.

Perkins Master Promissory Note (MPN)
34 CFR 674.31
DCL GEN-16-13

Retention of Perkins records
34 CFR 674.19(d) & (e)

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

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

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

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

Retaining the electronic MPN (eMPN)

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

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

REIMBURSEMENT OF THE PERKINS LOAN FUND

The Department may require your school to reimburse its Perkins Loan fund for any outstanding balance on an overpayment or a defaulted loan for which your school failed to record or retain the promissory note, record disbursements, or exercise due diligence. If your school is required to reimburse its fund, your school must also reimburse the Perkins Loan fund for the amount of the administrative cost allowance claimed on any reimbursed portion of a loan, if applicable. You should not reimburse the Perkins Loan fund for loans on which your school obtains a judgment.

Reimbursement for overpayments or default
34 CFR 674.13(a)(2) & (c)

REQUIRED COORDINATION PROCESS

When a student ceases to be enrolled at least half time, he or she immediately enters either a grace period or repayment. In order to properly track borrowers' status, y**our school must have a process for coordinating between the offices which monitor enrollment status, the financial aid office, and the office which manages your Federal Perkins Loan portfolio (and/or any third-party services which manage the portfolio).**

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

Coordinating official
34 CFR 668.16(b)(1)

CREDIT BUREAU REPORTING

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

- the amount and date of each disbursement;
- repayment information and collection of the loan until the loan is paid in full; and

- the date the loan was repaid, canceled, or discharged for any reason.

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

PERKINS NSLDS REPORTING

NSLDS is the only system that contains Perkins Loan borrower-level data. This data is self-reported by schools and/or their third-party servicers. NSLDS data should match your school's records. Schools with active Federal Perkins Loans (including National Direct Student Loans and National Defense Student Loans) **are required to update data on loans to NSLDS at least monthly**. Schools should reconcile NSLDS information with the institution's records and/or servicer's records at least twice annually. Any discrepancies in NSLDS information must be corrected.

Data providers must meet all NSLDS reporting requirements as detailed in the NSLDS Federal Perkins Data Provider Instructions.

Schools and third-party servicers are required to report new loans or update data on existing loans to the National Student Loan Data System (NSLDS) on a monthly basis. To do this, use the Data Provider Instructions (DPI) as of June 25, 2018, available on the Knowledge Center. The DPI has instructions on reports, file layouts, and steps to submit and extract data from NSLDS. It is ultimately the school's responsibility to ensure that its required reporting to NSLDS (which includes Perkins loan account detail) is completed in a timely and accurate manner. Schools that use a third-party servicer must communicate the reporting requirements to its third-party servicer and ensure that its servicer complies with timely and accurate reporting. It is important for schools to understand that they will be responsible for any non-compliance by the servicer.

You must report enrollment and loan status information to **nsldsfap.ed.gov** according to the schedule published in the ***NSLDS Enrollment Reporting Guide.*** For NSLDS assistance, call 1-800-999-8219 or send an email to NSLDS@ed.gov.

Perkins reporting
34 CFR 674.16

PERKINS RECORDKEEPING

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

- the promissory note;
- documentation of the amount of a Perkins Loan, its payment period, and the calculations used to determine the amount of the loan;
- documentation of the date and amount of each disbursement of Perkins Loan funds; and
- information collected during exit loan counseling as required by the Perkins Loan regulations.

You must maintain the original promissory note signed by the student until the loan is satisfied. If the original promissory note is released for the purpose of enforcing repayment, the school must keep a certified true copy. To qualify as a certified true copy, a photocopy (front and back) of the original promissory note must bear a certification statement signed by the appropriate school official.

A school must keep original paper promissory notes or original paper MPNs and repayment schedules in a locked, fireproof container. If your school uses an electronic Perkins Loan promissory note, it must maintain an affidavit or certification regarding creation and maintenance of the electronic note, including its authentication and signature processes. If a promissory note was signed electronically, the school must store it electronically and the promissory note must be retrievable in a coherent format.

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

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

Perkins Record Retention
34 CFR 674.19.(e)

EXIT COUNSELING

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

Schools should conduct this interview shortly before the point when 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, you 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 student's 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, for example, deducting student loan interest from their taxable income.
- **Explain options the borrower has to change repayment plans. More information is available at: https://studentaid.gov/manage-loans/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. For more information on cancellation, see Chapter 4 of this Volume.
- **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. Additionally, 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. For more on default, see Chapter 5 of this Volume.

- **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 he or she must inform the school of any changes to the aforementioned information in a timely manner.**
- **Remind the borrower of the existence and purpose of the FSA Ombudsman Group. The FSA Ombudsman Group** is a resource for borrowers when other approaches to resolving student loan problems have failed.
- **Inform the borrower of the availability of FSA loan information in the National Student Loan Data System (NSLDS** at **https://nslds.ed.gov/nslds_FAP).**
- **Review the opportunity for and effects of loan consolidation.**

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

Information on Consolidating Perkins Loans

Consolidation offers a Perkins borrower options the borrower does not have under the Perkins regulations alone. During exit counseling, a school must also include information on the consequences of consolidating a Perkins Loan, including:

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

FSA Ombudsman

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

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

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

https://studentaid.gov/feedback-ombudsman/disputes/prepare

When A Federal Perkins Loan is consolidated

If a student with an outstanding Federal Perkins Loan from your school applies to have that loan consolidated, the Direct Loan Consolidation System (DLCS) will send you a Loan Verification Certificate (LVC). You have 10 days from the date of receipt to complete the LVC and return it to DLCS. Loans that have been subject to a judgement may not be consolidated. If DLCS makes the consolidation loan, you will receive the amount you indicated on the LVC plus interest. You must deposit the funds in the account holding your Federal Perkins Revolving Fund, record the deposit in the appropriate ledgers (and contra accounts), and report the payment on your next scheduled FISAP.

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

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

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

Exit counseling requirements
34 CFR 674.42(b)
HEA section 485(b)(1)(A)

Disclosure of repayment information

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

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

Disclosure of repayment information
34 CFR 674.42(a)

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 following disclosures to the borrower in writing **immediately** upon discovering that the borrower has entered the repayment period. The repayment information must include the following:

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

Required Perkins Repayment Information: 34 CFR 674.42(a)

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

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

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

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

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

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

- participating in a rehabilitation training program;
- enrolled and attending graduate school;
- participating in an internship or residency program in dentistry;
- seeking but unable to find full-time employment;
- experiencing economic hardship;
- serving in the Peace Corps;
- receiving payment from a federal or state public assistance program;
- performing qualifying military service;
- repaying federal education loans that exceed or for which the payments exceed certain specified amounts; or
- receiving cancer treatment, and for the six months following the conclusion of treatment if your loan entered repayment before Sept. 28, 2018.

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

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.

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

Summary of Federal Perkins Loan Borrowers Rights and Responsibilities, page 1 of 2

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

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

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

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

Repayment begins the day after your grace period ends.

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

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

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

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

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

You are responsible for notifying the school before the due date of any payment that you cannot remit. You are responsible for making payments on time even if you do not receive a billing statement.

You may contact the school by writing to us at:

(Your School Name)
Business/Financial Aid Office
Building, Name, Room Number
City, State Zip

by calling us at:

1-555-666-1234

by sending an email to:

(Your school's email address)

*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.

Summary of Federal Perkins Loan Borrowers Rights and Responsibilities, page 2 of 2

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

You should continue to examine your Federal Perkins Loan program and fiscal records, at the start of the year and monthly, until all loans have been retired (or otherwise fully satisfied), or assigned to and accepted by the Department. Proper examination and oversight ensures that all funds paid directly by students, collected by third-party servicers, received for loans cancelled, and received as interest flow into your Federal Perkins Loan bank account, and are accurately reflected in your Asset Account, Cash–Federal Perkins Loan records.

As part of the wind-down of the Federal Perkins Loan Program, the statute requires an annual capital distribution (Distribution of Assets) of the balance of your Perkins Fund. The Distribution of Assets from the Perkins Loan Revolving Fund process replaced the Excess Liquid Capital process beginning with the 2019-2020 award year.

Schools are not required to liquidate and may continue to service their portfolios until all their outstanding loans have been fully retired or transferred to the Department through assignment. A school may also choose to liquidate, transferring their outstanding loans to the Department through the assignment process and liquidating any final cash in the fund and closeout their program.

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

Perkins due diligence

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

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

Perkins due diligence
34 CFR 674.41(b)

Perkins reconciliation

Your school is reponsible for all reporting on the FISAP and in NSLDS regardless of whether your school directly services its Perkins Loan portfolio, or whether it contracts with a third-party servicer for these functions. Schools should request a reconciliation report from NSLDS to ensure the school's records are consistent with NSLDS, reconcile any discrepancies, and update NSLDS accordingly. We strongly encourage schools to complete this reconciliation with NSLDS at least quarterly.

Schools can order a reconciliation report from the **NSLDS Professional Access website at https://nsldsfap.ed.gov/nslds_FAP/.** Once logged into the NSLDS Professional Access website, select "REC005 Perkins Extract by Parameters" under the *Report* tab. Be sure to order two separate report requests:

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

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

Until the Department accepts a loan for assignment and is able to successfully report on the loan in NSLDS, the loan is still the responsibility of the school. The school will receive an acceptance letter when the loan is accepted for assignment by the Department. At that time, the school must report the loan to NSLDS as transferred for assignment using the "AE" Code for Loan Status (NSLDS Perkins DPI, Field Code #263) and the assignment form's "certification date" as the Date of Loan Status (NSLDS Perkins DPI, Field Code #262).

Overpayment Tolerance Procedures

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

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

Overpayment Tolerance
EA-06-28/2011

ENDING PARTICIPATION IN THE PERKINS LOAN PROGRAM

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

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

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

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

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

Steps for Schools Ending Participation in the Federal Perkins Loan Program

(For further instructions, see the Perkins Loan Assignment and Liquidation Guide on the Knowledge Center.)

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

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

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

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

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

Step 2. Notify Borrowers

A school must notify borrowers of the pending assignment of their Perkins Loan(s) to the Department. Borrowers should be given at least 30 day's notice. Loans should be submitted to the Department no later than 45 days from the date the school submitted their intent to liquidate.

Sample Notification

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

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

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

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

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

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

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

Step 3. Assign Loans to the Department of Education

When a school liquidates its Perkins Loan portfolio, it must assign the remaining loans with outstanding balances to the Department for collection.

A school must ensure that its loans are properly accounted for and updated in NSLDS. The school should request a Reconciliation Report from NSLDS when it begins the assignment process and reconcile its records against the report to ensure its portfolio has been accurately reported to NSLDS. Schools can request a reconciliation file report (REC005) online at **NSLDSfap.ed.gov**. Ultimately, the total amount of loans and the 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 to NSLDS, the system should show that no open loans remain at the school.

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

Step 4. Purchase Loans (if applicable)

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

See the Perkins Loan Assignment and Liquidation Guide on the Knowledge Center for more information on when a school is required to purchase loans, and the procedures for doing so.

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

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

Step 5. Update NSLDS

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

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

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

Step 6. Perkins Closeout Audit

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

Step 7. Remit the Federal Share

A school must remit the federal share of the remaining Perkins cash from its Perkins Fund to the Department. Any federal share of remaining capital should be refunded electronically via G5 (g5.gov), using the G5 Miscellaneous Refunds option.

Step 8. Final FISAP Data

A school must continue to file its FISAP annually until it can report all final activity. "Final" activity consists of assigning any remaining loans with outstanding balances to the Department or reimbursing the Fund for the purpose of purchasing any loans that are not accepted by the Department, and confirming that the distribution of the final Fund capital (current cash) has been made.

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

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

Assigning Perkins Loans to the Department

Schools, including nonliquidating schools, participating in the Federal Perkins Loan Program may submit any defaulted or non-defaulted Perkins Loan (including National Direct/Defense Loans) for assignment to the Department at any time during the processing year. For more details, see the Perkins Assignment and Liquidation Guide section, below.

You **must** assign any loan that does not have an acceptable collection record. You **must** also assign all loans that have been in default for two or more years. You are also required to assign all Perkins loans to the Department when your school has lost approval to participate, has a cohort default rate over 50% for three years, or is closing or liquidating. Proof of due diligence is no longer required when assigning loans.

Schools assigning loans should keep in mind that:

- All Perkins loans that have been accepted for assignment by the Department are assigned without recompense.
- Any funds collected by the Department on assigned loans are the property of the United States. (A school loses access to the nonfederal portion of those Perkins Loans it assigns to the Department.)
- All rights, authorities, and privileges associated with the loan are transferred to the United States.
- The school is relieved of incurring additional expenses in attempting to collect on the loan.
- Assignment of defaulted loans does not affect the calculation of the school's Perkins Loan cohort default rate.

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

Assignment of Perkins loans in default 2+ years
Electronic Announcement September 16, 2019

PERKINS ASSIGNMENT AND LIQUIDATION GUIDE

The ***Federal Perkins Loan Assignment and Liquidation Guide*** and all forms, instructions, etc., can be found on the Knowledge Center under the Section titled "Perkins Liquidation and Assignment" found on the Campus-Based Processing and Resources page of the Knowledge Center. See the EA of May 3, 2019 for more detail.

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

1. **Perkins Loan Assignment System (PLAS)**—allows schools to submit Perkins Loan assignments electronically. The system is found at **efpls.ed.gov**. 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 Campus-Based section of COD System**—streamlines the Perkins Loan liquidation process for schools and provides an accessible tracking system for both schools and the Department of Education (the Department) to view and track the eventual closeout process of a school's Perkins Loan Program. Schools must use the Campus-Based section of the COD System to notify the Department of their intent to liquidate their portfolio and Fund and begin the liquidation process. To get started, a school logs in to the eCampus-Based section of COD System and selects "Perkins Liquidation" from the menu choices on the left. Next, 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 Campus-Based section of the COD System will post the Federal share amount owed to a school's self-service page in the eCampus-Based section of the COD System with instructions for remitting payment to the Department.
- Once the Federal share amount has been received by the Department, schools will submit final FISAP data for the Perkins Loan Program.

A school must continue to file its FISAP annually until it can report all final activity. *Final* activity consists of assigning any remaining loans with outstanding balances to the Department or reimbursing the Fund for the purpose of purchasing any loans that are not accepted by the Department, and ensuring that the distribution of the final Fund capital (current cash) has been made. Schools that have yet to receive an Official Liquidation Completion letter from the Department at the time annual FISAPs are due to be submitted to the Department must report Perkins data on its annual FISAP. Schools may be directed to report final FISAP data using the Phase 4 of the Perkins online closeout form through the Campus-Based COD system online.

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

Assignment of loans

34 CFR 674.50

Schools can submit assignment data electronically

Schools can complete the Perkins Loan Assignment Form manually or online using the 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 Knowledge Center.

Loans accepted for assignment

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

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

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

Note: Schools that use the Perkins Loan Assignment System (PLAS) for electronic submission can access information about accepted and rejected assignments through PLAS. These reports can be viewed online or printed from PLAS.

Paper Documentation

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

Supporting Documentation for Assignment of Perkins Loans

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

Navigating to the Updated Guide

From the Knowledge Center home page at: https://fsapartners.ed.gov/knowledge-center, click on library, and then click on Electronic Announcements. The Perkins Liquidation and Assignment Guide is in the list of items on this page (date May 3, 2019). Or you can just go directly to the Assignment Guide at **this link**.

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

Required Assignment Documents

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

Top reasons assignment files are rejected

There may be loans you have submitted for assignment that the Department is unable to accept. Common reasons that loans are rejected include the following:

- Promissory Note (PN) or Master Promissory Note (MPN) missing borrower signature
- Loan disbursed prior to PN or MPN being signed
- PN or MPN is missing
- Outdated or missing payment histories
- Assignment form expired.
- Separate assignment forms on disbursement year (interest rate changes, bundled loans)
- Bankruptcy documents missing
- Judgment documents missing
- Borrower deceased or subject to total and permanent disability

With the exception of death & total and permanent disability, once these errors are fixed/addressed, the files may be accepted for assignment.

Notification to borrowers of assigned loans

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

Payments received before the loan has been accepted

If a loan has been submitted but has not yet been accepted for assignment by the Department and the school or its servicer 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 school must issue a check to the Department. (See below for mailing information.)

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 accepted for assignment by the Department should be forwarded as soon as possible to the Department. (See below for mailing information.)

Submitting payments

Payments on accounts that have been accepted by the Department for assignment should be sent to:

Department of Education
ECSI Federal Perkins Loan Servicer
P.O. Box 6200-31
Portland, OR 97228-6200

Courier services do not deliver to postal boxes. Therefore, we recommend using United States Postal Service registered mail. Each payment submission must clearly identify the borrower's full name, Social Security number, and the type of loan to which the payment is to be applied. The school's name and OPEID should also be included and easily identifiable.

A school should not contact the Department to request the return of a submission because a borrower has made a payment to the school. Once a loan is submitted and accepted for assignment, it becomes the property of the Department. If the Department refuses to accept the loan for assignment, the school should correct any deficiencies and resubmit the complete loan package including the additional information for assignment.

Collection agency fees

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

Credit Bureau Reporting on Loans Accepted for Assignment

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

In **Field 17A** the school or servicer should report the two digit code **05** (*Transferred)* AND enter the Special Comment Code **AL** (*Student Loan — Permanently Assigned to Government*). In addition, when a school or servicer reports code 05, the school or servicer **MUST** also report, **Field 21** (*Current Balance*), **Field 22** (*Amount Past Due*), and **Field 17B** (*Payment Rating*).

Field 21 and Field 22 **must always be reported as 0**. The acceptable values for the Payment Rating a school or servicer must enter in **Field 17B** are:

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

Questions About the Assignment Process

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

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

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

Perkins Loan Assignment System
Electronic Announcement January 11, 2019.

Electronic process (G5) for returning Perkins Loan funds to the Department

Before submitting a refund via G5 (https://g5.gov), your school should notify its bank that you will be doing so, as some banks will not release the funds unless notified in advance. The bank should be provided with the following ACH Company ID for the U.S. Department of Education: 910 200 0102. A user with the "Payee" role in G5 can then submit the refund via G5 by following these steps for returning Perkins Loans funds to the Department:

1. Log in to G5 at **g5.gov**.
2. Click on Payments.
3. Click on Create Refunds.
4. Under Refunds Creation, click on the Miscellaneous Refunds tab and select Continue.
5. On the Create Miscellaneous Refunds tab, enter the required details below and click continue to submit:
   a. Refund Amount;
   b. Bank Account Information to be debited; and

c. Select Appropriate Refund Type:

- Perkins Excess Cash—Use this type when returning the Federal Share of the distribution of assets.
- Perkins Liquidation—Use this type when closing out your Perkins Loan Fund and returning the Federal Share at the end of the school's liquidation of the Distribution of Assets from the Revolving Fund.

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

In order to initiate a refund in G5, the Payee user must have already entered refund banking information under Payments > Refund Bank Account Maintenance, even if there is already a bank account connected to the Payments functionality.

If a school cannot use G5 to return funds

In rare cases a school might not be able to use G5 to return funds. A school that has no recourse other than to pay by check should understand that there may be processing delays and a chance that funds could be misapplied if the school fails to provide precise information when returning the funds.

If you choose to pay by check, you must include the following information on the accompanying paperwork:

1. Make the check payable to the "U.S. Department of Education."

2. Include with the remittance the correct school name and OPEID number, and DUNS numbers.

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

4. Mail the check and remittance information to the following address:

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

5. Notify Campus-Based Division that a check was sent by sending an email to perkinsliquid@ed.gov.

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

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

CHAPTER 4

The Federal Perkins Loan Program offers borrowers a variety of forbearance, deferment, and cancellation options. Additionally, there are a number of situations that allow a Perkins, National Direct, or Defense Loan to be discharged. We also discuss Perkins repayment plans.

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 periods and post-deferment grace periods. Perkins loan payments are based on what is necessary to pay the loan off in a 10 year period. Borrowers in a grace period are not considered to be in repayment, and grace periods therefore are not included in the 10 year period used to calculate Perkins payments. See also the Calculating the Perkins repayment amount section later in this chapter.

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.

Initial Perkins grace periods

A Perkins borrower is entitled to one 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 one full initial grace period (nine consecutive

months) from the date that he or she graduates, withdraws, or drops below half-time enrollment again.

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.

Post-deferment Perkins 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.

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.

Perkins 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 on which 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.

Perkins 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.

Grace periods for NDSLs

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.

Required 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 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.

Grace period
Definitions
34 CFR 674.2

Initial Grace Period Examples

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 started school full-time in September. She did not have an outstanding Perkins Loan or NDSL. In January, Paula dropped to one-quarter-time and in March, she received 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 had 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 enrolled in a new program at a community college and received Perkins Loan (#2) in September. He was only enrolled one-quarter-time at the community college, so he was not eligible for in-school deferment. Jason's 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.***

Perkins 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 has already 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.

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 entering repayment (because payment was made before the end of the initial grace period).

Prepayment
34 CFR 674.31(b)(4)

Less than half-time grace periods
34 CFR 674.32

Approved leaves of absence
34 CFR 668.22 (c)(1)(v) and (vi);
34 CFR 668.22 (d)

ESTABLISHING A REPAYMENT PLAN

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 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.

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.

Interest is generally 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.

10-Year Repayment Table of Constant Multipliers

Annual Rate	Payment Frequency	Payments Per Year	Total Payments	Constant Multiplier
5%	Monthly	12	120	**.0106065**
5%	Bimonthly	6	60	**.0212470**
5%	Quarterly	4	40	**.0319214**

Principal × Constant Multiplier = Payment Amount

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%.

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 X .0319214 = $79.80

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

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.

Incentive repayment program
34 CFR 674.33(f)

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. 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.

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.

Loans from multiple schools
34 CFR 674.33(b)(2) & (3)

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)

ESTABLISHING REPAYMENT DATES

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. 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.

Extension of repayment for low-income individuals
34 CFR 674.33(c)(2)

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; and
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.

Perkins Loan Quarterly Billing Example

(with four standard repayment dates)

Borrower's Termination Date	Initial Nine-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	"

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.

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.

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.

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.

Hardship forbearance

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 employment) and from other sources.

To make this comparison and 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.

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.

Forbearance Forms

The Department has issued OMB-approved forbearance forms for use in the Perkins, Direct Loan, and FFEL programs. Only the OMB-approved "Mandatory Forbearance" form may be provided to Perkins borrowers requesting forbearance due to student loan debt burden. Only the OMB-approved "General Forbearance" form may be provided to Perkins borrowers requesting forbearance due to poor health or for other acceptable reasons.

Repayment period extension
34 CFR 674.33(c)

Forbearance
34 CFR 674.33(d)
HEOA 464, HEA 464(e)
April 3, 2020 Electronic Announcement

Reduction of payments during hardship
34 CFR 674.33(b)(5) & (6)

Extension of repayment during hardship
34 CFR 674.33(c)(1)

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 (June 2020, applicable for 2021-2022)

- 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 $10,840.
- 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	$27,450
Family of 3	$34,180
Family of 4	$42,200
Family of 5	$49,800
Family of 6	$58,240

For each additional family member add $6,580.

For more information, please see FR Vol. 85, No. 109 (June 5, 2020)**.**

Enrollment Reporting Process

Perkins schools can receive student enrollment information through the NSLDS Enrollment Reporting Process. Schools should be accurately reporting enrollment every 60 days. It is the school's responsibility to make sure all loan statuses are reported accurately. Please refer to the NSLDS Reference Materials & Federal Perkins Technical Update dated 04-06-2012.

The NSLDS Student Site has been decommissioned, but NSLDS data is now accessible through the StudentAid.gov website. Students can add themselves to an enrollment roster via the StudentAid.Gov website.

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 not 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 federal student aid 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). Schools may not include periods of deferment in the 10-year repayment period.

Perkins Deferment
34 CFR 674.34-38

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 must 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.

"Regular" Student for deferment requirement

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. For more on regular student requirements, see Volume 1, *Student Eligibility*.

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 expend the nine-month initial grace period. A borrower is entitled to a full initial grace period, the remainder of which may come 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 loses in-school enrollment status. However, the student may be eligible for an in-school *deferment* (see below). Keep in mind that a post-deferment grace period is only six months. In this case, 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/enrollment. The amount to be deferred and subsequently canceled must be calculated using the 10-year repayment period.

Deferments for All Perkins Loans, NDSLs, and Defense Loans

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 bor-

rower 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 deferment

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.

Required Official Deferment Forms

The Department has issued OMB-approved deferment forms for use in the Perkins, Direct Loan, and FFEL programs. Only the OMB-approved deferment forms may be provided to Perkins borrowers requesting the following deferments:

- In-school, Graduate fellowship, Rehabilitation training program, Unemployment, and Economic hardship.
- The latest version of the Military Service Deferment form is available in DCL GEN-17-03, on the Knowledge Center
- Cancer Treatment Deferment forms are included in the August 22, 2019 EA on IFAP: https://fsapartners.ed.gov/electronic-announcements/082219defercancertreatdlffelperklnprgmbor

Rehabilitation training deferment

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.

Rehab deferment
34 CFR 674.34(g)

Seeking full-time employment deferment

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 on the Knowledge Center.

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.

Economic hardship deferment

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[1] 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[2] for the borrower's family size;
- 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 for any individual.[3]

The deferment provision for borrowers whose debt burden exceeds 20% of total monthly gross income has been eliminated.

[1] 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.

[2] 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.

[3] 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

The current hourly minimum wage is available at **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. Annual poverty line guidelines, as defined by Section 673(2) of the Community Service Block Grant Act, are available at **https://aspe.hhs.gov/prior-hhs-poverty-guidelines-and-federal-register-references.**

Note that an unborn child may be included (in family size) 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.

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 and 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. For more detail, see 34 CFR 674.34(h).

13-month post-active Guard/Reserve 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.

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 or 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. For more detail on this deferment, see 34 CFR 674.34(i).

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 34 CFR 674.37.

For information on deferment provisions exclusive to loans made before July 1, 1993, see the 2015–2016 Federal Student Aid Handbook.

Cancer Treatment Deferment

A borrower may receive deferment on a qualifying Perkins Loan while the borrower is receiving cancer treatment (for an unlimited period of time) and for six months following the conclusion of the treatment. A qualifying Perkins Loan is a Perkins Loan that had entered repayment on or before September 28, 2018. Loans that were made before September 28, 2018 that were in an in-grace or an in-school status are not eligible for the deferment and will not become eligible when they do enter repayment unless consolidated.

For more information on the Cancer Treatment Deferment, see the "Deferment for Cancer Treatment for Direct Loan, FFEL, and Perkins Loan Program Borrowers" Electronic Announcement of August 22, 2019.

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

The Department reimbursed institutions for the institutional share of Perkins Loan Service Cancellations from the Perkins Fund, as described in the Electronic Announcement *Federal Perkins Loan Revolving Fund Distribution of Assets Timeline for 2020-21 and Reimbursement for Perkins Loan Service Cancellations*, published on October 20, 2020. Institutions will receive notification through the Distribution of Assets process the amount of service cancellation the institution is permitted to remove from the Revolving Fund, provided there is enough cash in the Fund to cover the reimbursement.

Perkins Cancellation

34 CFR 674 Subpart D
34 CFR 674.51-62
Special definitions: 34 CFR 674.51
Procedures: 34 CFR 674.52
Defaulted loans
34 CFR 674.52(d)
AmeriCorps (National Community Service)
34 CFR 674.52(f)

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 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).

Cancellation restrictions
Prior service
34 CFR 674.62(a)
Payment refund
34 CFR 674.62(b)

ELEMENTARY AND SECONDARY TEACHER CANCELLATION

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.

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 below 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*.

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.

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.

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; or
- 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.

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)

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: **StudentLoans.gov.**

Information about the compilation and publication of the directory is available from **COD School Relations Center** at: **800-848-0978.**

Customer service representatives are available Monday through Friday from 8 a.m. until 11 p.m. (ET). You may also email the center at: **CODSupport@ed.gov.**

Cancellations for Teachers at Educational Service Agencies

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)

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 three through nine, 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.

Cancellation Rates for Military, Teachers AND 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.

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. For more detail, see
34 CFR 674.53(a)(5)

Employment Cancellations

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), or 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

Who Is a Teacher?

For Perkins cancellation purposes, 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

To earn the Perkins teacher cancellation, 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.

Who Is a Teacher? (Continued)

Requirements for teacher cancellation 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 required

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.

Preschool or pre-kindergarten program requirements for teacher cancellation

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 requirements for teacher cancellation

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; and
- More than 30% of the school's or ESA's enrollment is made up of children from low-income families.

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.

Nurse or medical technician Perkins cancellation
Dear Colleague Letter CB-08-14

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 fire fighting agency to extinguish destructive fires or provide fire-fighting 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.

Firefighter cancellation
34 CFR 674.56(d)

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. For purposes of this cancellation, *low-income communities* are communities in which there is a high concentration of children eligible to be counted under Title I rules.

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.

Faculty member at a tribal college or university cancellation

An institution must cancel up to 100% 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.

Title 1 school speech pathologist 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.

Speech pathologist cancellation
34 CFR 674.56(g)

Librarian cancellation (in support of Title I school)

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, or
- by a public library that serves a local school district that contains one or more Title I-eligible schools.

Librarian cancellation
34 CFR 674.56(f)

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.

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.

Law enforcement/corrections cancellation
34 CFR 674.57(a)

PUBLIC DEFENDER CANCELLATION

Full-time attorneys employed in *federal public defender organizations* or *community defender organizations* 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.

Eligible public/community defender organizations

You can find a list of eligible federal public defender and community defender organizations at: **fd.org/sites/default/files/cja_resources/defenderdir.pdf.** For more detail, **see** 34 CFR 674.51(e) and Section 3006A(g)(2) of Title 18, U.S.C.

Public defender cancellation
34 CFR 674.57(b)

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. The "U.S. Armed Forces" are the U.S. Army, Navy, Air Force, Marine Corps, or Coast Guard.

Areas that qualify for hostile fire/imminent danger pay are listed on the Web. 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.

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.

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.

Military service Perkins cancellation
34 CFR 674.59

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.

When a borrower who is already receiving cancellation benefits becomes eligible for another type of cancellation

Perkins borrowers who become eligible for an additional cancellation category continue 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. See 34 CFR 674.52(g)(2) for more detail.

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. To be eligible for this cancellation, 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 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.

Child or family services cancellation
34 CFR 674.56(b), 34 CFR 674.58

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 nonprofit 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.

Early intervention cancellation
34 CFR 674.56(c)

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, that 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. See Section 632(5)(A) of the Individuals with Disabilities Education Act (IDEA).

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).

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

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; or
- 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 your school may approve a discharge based upon other reliable documentation of the borrower's death.

Streamlined loan death discharge option:

The Department has analyzed information in NSLDS and determined that, because the first instance that a death discharge would have been based on reliable information (such as a death certificate), and because reporting quality to NSLDS is sufficient for this purpose, the Department could create a report identifying other outstanding loans for deceased students or borrowers. The NSLDS report is called the Death Status Conflict Report, which contains data showing when a death discharge has been applied to one loan for a student or borrower, but another loan remains outstanding. The specific loans identified in the report may be construed as automatically eligible for a death discharge without further documentation.

The Department encourages schools to use this report to discharge Perkins loans (and TEACH Grant service obligations) due to death and follow normal processes with respect to reporting and claim filing after using this report. It is important to note that only the loans that appear on the NSLDS Death Status Conflict Report are eligible for discharge.

Loan discharges due to death
34 CFR 674.61

Streamlined loan death discharge options
Electronic Announcement: LOANS-21-04

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 Total and Permanent Disability (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 VA 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."

Closed school discharge

Schools that close or otherwise lose Title IV eligibility are required to liquidate their Perkins portfolio and fund if they have an active portfolio (i.e., have not liquidated). Procedures for assignment and liquidation are posted on the Knowledge Center. 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. The Debt Management and Collections System (DMCS) 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. DMCS reports the discharge to the credit bureaus to which the previous loan status was reported. 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 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

Closed-School Discharge
34 CFR 674.33(g)

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, and further 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 or terminating billing and collection (bankruptcy proceedings)

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.

Resuming billing and collection

34 CFR 674.49(f)

Bankruptcy laws and regulations

DCL GEN-15-13

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.

Bankruptcy Discharge 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 Discharge 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.

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.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.

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. 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 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; or
- 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.

Total and permanent disability is defined as the condition of an individual who—

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 has been determined by the Secretary of Veterans Affairs to be unemployable due to a service-connected disability. See 34 CFR 674.51 for more detail.

* "a level of work performed for pay or profit that involves doing significant physical or mental activities, or a combination of both."

A TPD Discharge Based on Social Security (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.

Total and permanent disability loan discharge
34 CFR 674.61

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

Perkins billing and collection activities involve many steps. First, 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; you must respond promptly to borrower 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. For information about maintaining billing and collection records, see Chapter 1 of this Volume.

Keeping current information on a borrower makes it easier 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).

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)

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 graduate or drop below half-time enrollment (if this point is known in advance).

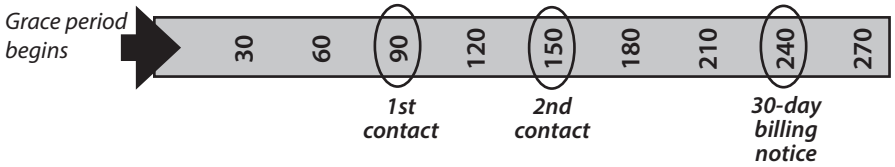
Contact during grace periods

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.

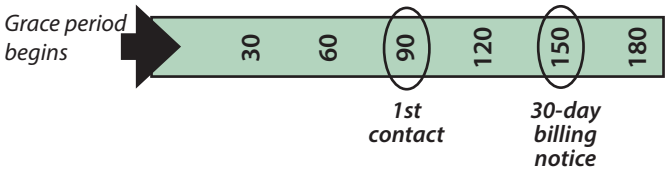
- The first contact must be 90 days after any grace period (initial or post-deferment) begins. The school must remind the borrower that he or she is responsible for repaying the loan. The school must also inform the borrower of the amount of principal and interest, as projected for the life of the loan, 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 Periods

Nine-month grace period



Six-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

Grace period contact
34 CFR 674.42(c)

Exit counseling
34 CFR 674.42(b)

Contact during initial and post-deferment grace periods
34 CFR 674.42(c)

PERKINS BILLING PROCEDURES AND OVERDUE PAYMENTS

Billing refers to the 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.

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; and
- 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 have reason to believe 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.

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.

Telephone contact required

34 CFR 674.43(f)

Address searches

The school must take the following steps to locate the borrower if communications are returned undelivered (other than unclaimed mail):

1. Review the records of all appropriate school offices.
2. 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.

Address searches
34 CFR 674.44

Optional Perkins late charges

The assessment of late charges on an overdue Perkins Loan borrower is 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. A Perkins late 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. A Perkins late 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.

You may add a late charge to the principal amount of the loan as of the first day the payment was overdue. 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.

Perkins Late charges
34 CFR 674.43(b)(5)
34 CFR 675 Appendix E

Perkins Billing procedures
34 CFR 674.43

Procedures required when payments are overdue
34 CFR 674.43(b), (c), & (d)

Perkins Loan acceleration

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 before accelerating the loan. 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.

Loan acceleration
34 CFR 674.31(b)(8)
34 CFR 674.43(e)

DEFAULT REDUCTION ASSISTANCE PROGRAM (DRAP)

The Default Reduction Assistance Program (DRAP) assists schools in contacting defaulted Perkins Loan borrowers. A letter is sent from 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.

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.

DRAP 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 if the account has already been referred to a collection agency.

Accessing and initiating the DRAP process

All related functions of the DRAP process are accessed via the COD website. To access the DRAP section of the COD website, log in at **https://cod.ed.gov**, and from the School tab select Campus-Based and then "DRAP."

To initiate the process, a school or its third-party servicer 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 the information, a letter will be printed on the Department's letterhead and emailed to

each borrower. The email encourages borrowers to contact the school in order to initiate repayment arrangements. A PDF copy of the email may also be downloaded and printed for mailing by the school or third-party servicer.

If a school or 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 DRAP-only access to the COD system by the school's Destination Point Administrator (DPA).

DRAP Address information and undeliverable mail

The Department will send only one DRAP email to each address provided by a school. Schools will need to log in periodically to review and print reports of undeliverable emails. Schools are encouraged to provide updated addresses. When an address is updated, a DRAP letter is sent to the new address.

DRAP Contact information

For additional information about DRAP, contact the **COD School Relations Center at 800-848-0978**. Customer service representatives are available Monday through Friday from 8 a.m. until 11 p.m. (EST). You may also email the center at: **CODSupport@ed.gov.**

Default Reduction Assistance Program
Electronic Announcement Nov. 15, 2013.

PERKINS 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:

- If you first attempted to collect by using your own personnel, you must refer the account to a collection firm.

- 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.

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. Reporting all credit history is essential to ensure that current and future creditors have complete information regarding the credit obligations of the borrower. 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.

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.

Under the Fair Credit Reporting Act (FCRA), 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 FCRA.

Credit bureau reporting
34 CFR 674.45(a)

Ceasing Perkins 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.

Ceasing Perkins collections
34 CFR 674.47(d)(g)(h)

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. Alternately, you may 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.

Consolidating defaulted Perkins Loans

To get information about obtaining a Direct Consolidation Loan-contact the Loan Consolidation Call Center at 1-800-557-7394 or by visiting **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.

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.

Perkins write-offs
34 CFR 674.43(a), 674.47(h)

Perkins Compromise
34 CFR 674.33(e)

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

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 must ensure that its billing service and collection firm maintain a fidelity bond or comparable insurance to protect the accounts they service. 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.

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.

PERKINS LITIGATION

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.

Litigation
34 CFR 674.46

Elimination of defense of infancy

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. For more detail, see HEA Section 484(b)(3).

Deceased student and family estate

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. For more detail, see HEA section 484A.

DEFAULT STATUS AND FSA LOAN ELIGIBILITY

A borrower who is in default on an FSA loan is not eligible for any further FSA loans unless they have regained eligibility.

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 for the remaining *Title IV* programs 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 NSLDS. 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. **A borrower whose Perkins Loan is in default also can regain eligibility for federal student aid by consolidating his or her Perkins Loan.**

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. 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.

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.

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. If a borrower successfully rehabilitates a defaulted loan, but they later default on the same loan, that borrower is not allowed to rehabilitate the previously rehabilitated loan (or any other defaulted Perkins Loan) again.

Perkins 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. The term "involuntarily" includes payments obtained by income tax offset, garnishment, income asset execution, or pursuant to a judgment.

Perkins rehabilitation after judgement

Borrowers may not rehabilitate Perkins 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

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.)

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 Booklet (see the EA of June 3, 2020).

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.

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; and
- 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.
- 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 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.

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).

CDR Calculation and penalties
34 CFR 674.5(a),(b)

Loans included and not included in the CDR
34 CFR 674.5(c)(1) & (2)

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 and corresponding regulations. Schools are no longer able to claim the Administrative Cost Allowance (ACA) due to the expiration of the Perkins Loan Program. You must report the collection costs permitted in the regulations in the collections cost category on the FISAP. 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 coasts 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.)

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.

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.

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.

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.

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
Collection costs: 34 CFR 674.47(b), 34 CFR 30.60
Collection costs waiver: 34 CFR 674.47(d)

Perkins Loans and ACA
34 CFR 674.37(a)

ASSIGNING PERKINS LOANS

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.

Perkins loans may not be assigned to the Department if:

- the total amount of the borrower's account to be assigned, including outstanding principal, accrued interest, collection costs, and late charges, is not at least $25;
- the borrower has received a discharge in bankruptcy—unless the bankruptcy court has determined that the student loan obligation is non-dischargeable 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.

Nonliquidating schools

A school that is not liquidating its Perkins portfolio may assign any of its Perkins loans (in repayment, in-school, defaulted, or non-defaulted) to the Department at any time during the program year. A non-liquidating school may assign defaulted Perkins loans to the Department if:

- 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 school has not been able to collect despite having followed due diligence procedures; and
- the loan has been accelerated.

Perkins Loans that have been in default for two or more years must be assigned by the school to the Department if the school has (1) stopped servicing and collecting on its Perkins Loans and/or (2) knowingly failed to maintain acceptable collection records for the loans. Because 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, the Department requires schools to assign those loans to the Department so additional steps can be taken to recover the loan funds.

The Department will notify schools individually and provide the deadline by which the schools must assign the Perkins Loans that have been in default for two or more years. (Assignment of defaulted loans does not affect the calculation of the school's Perkins Loan cohort default rate.)

Liquidating schools

A school that is liquidating its Perkins portfolio must assign all of its Perkins loans with outstanding balances (defaulted and non-defaulted) to the Department.

Federal interest on accelerated loans
34 CFR 674.50, EA January 8, 2016, and 34 CFR 674.17

Assignment of Perkins Loan in Deault for Two or More Years
Electronic Announcement September 16, 2019

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 and also match its records for the outstanding portfolio. 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.

Required documentation

A school may be required to submit the following documents to the Department for any loan it proposes to assign:

- an original copy 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 non-dischargeable; and
- 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 is available on the Knowledge Center.

You must report the date each assigned loan was disbursed (attached to the Institutional Certification page of the Perkins Assignment form). The dates of first disbursement is now item 20 on the borrower and loan detail form.

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 makes, as soon as possible.

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 Department 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.

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 become familiar with these notices and the offices to which they should be distributed.

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

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. When possible, the Department will work with the school to assist in resolving issues.

Assignment under e-signed or Perkins MPN

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".

Supporting Documentation for Assignment of Perkins Loans

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 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 on the Knowledge Center.

Supporting Documentation for Assignment of Perkins Loans

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	• Original Promissory Note or • Master Promissory Note with Disbursement Records	• Certified True Copy of Front and Back of Promissory Note or Master Promissory Note with Disbursement Records	• Approval letter from Federal Student Aid for other acceptable alternative documentation
In Repayment—No Default	• Original Promissory Note or • Master Promissory Note with Disbursement Records • Repayment Records	• Certified True Copy of Front and Back of Promissory Note or • Master Promissory Note with Disbursement Records • Repayment Records	• Approval letter from Federal Student Aid for other acceptable alternative documentation
In Repayment—Default **School Has Not Initiated Legal Action Against the Borrower**	• Original Promissory Note or • Master Promissory Note with Disbursement Records • Repayment Records	• Certified True Copy of Front and Back of Promissory Note or • Master Promissory Note with Disbursement Records • Repayment Records	• Approval letter from Federal Student Aid for other acceptable alternative documentation

Notes

Disbursement record is the evidence supporting each disbursement and would include the date and amount of every disbursement.

Repayment record is an accounting record or listing of each payment received for the Perkins Loan and would include any deferments or forbearance periods. If no payments have been received for the Perkins Loan this information would need to be included.

Supporting Documentation for Assignment of Perkins Loans			
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**	• 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 • All documents related to the school's filing the request for judgment • Original Promissory Note or Master Promissory Note with Disbursement Records • Repayment Records	• 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 • All documents related to the school's filing the request for judgment • Certified True Copy of Front and Back of Promissory Note or Master Promissory Note with Disbursement Records • Repayment Records	• 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 • All documents related to the school's filing the request for judgment • Approval letter from Federal Student Aid for other acceptable alternative documentation

Supporting Documentation for Assignment of Perkins Loans			
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 Rendered **Assignment Form Amount and the Judgment Amount Match**	• Original or certified true copy of the judgment • Original Promissory Note or Master Promissory Note • Signed statement providing amount, interest rate, and expiration date if this information does not appear on the judgment documents • Repayment records made on the judgment • Repayment records on all payments made prior to judgment (if available)	• Original or certified true copy of the judgment • Certified True Copy of Front and Back of Promissory Note • Signed statement providing amount, interest rate, and expiration date if this information does not appear on the judgment documents • Repayment records made on the judgment • Repayment records on all payments made prior to judgment (if available)	• Original or certified true copy of the judgment • Signed statement providing amount, interest rate, and expiration date if this information does not appear on the judgment documents • Approval letter from Federal Student Aid for other acceptable alternative documentation

Supporting Documentation for Assignment of Perkins Loans			
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 Rendered **Assignment Form Amount and Judgment Amount Do Not Match**	• School must work with FSA to determine amount that will be assigned • Original Promissory Note or Master Promissory Note • Original or certified true copy of the judgment • Signed statement providing amount, interest rate, and expiration date if this information does not appear on the judgment documents • Repayment records made on the judgment • Repayment records on all payments made prior to judgment (if available)	• School must work with FSA to determine amount that will be assigned • Certified True Copy of Front and Back of Promissory Note • Original or certified true copy of the judgment • Signed statement providing amount, interest rate, and expiration date if this information does not appear on the judgment documents • Repayment records made on the judgment • Repayment records on all payments made prior to judgment (if available)	• School must work with FSA to determine amount that will be assigned • Original or certified true copy of the judgment • Signed statement providing amount, interest rate, and expiration date if this information does not appear on the judgment documents • Repayment records made on the judgment • Repayment records on all payments made prior to judgment (if available) • Approval letter from Federal Student Aid for other acceptable alternative documentation
Bankruptcy Initiated—Decision Not Yet Rendered **Assignment by a School Not Liquidating or Closing** (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			
Status of the Loan	**Required Documents**	**Alternative Required Documents (Only if Original Promissory Note or Master Promissory Note Does Not Exist)**	**Extenuating Circumstances Documentation**
Bankruptcy Initiated—Decision Not Yet Rendered **Assignment by a School Liquidating or Closing** (Applies to both nondefaulted and defaulted loans)	• Upon the specific request of the Department, documentation that the school requested the bankruptcy court to name the Department as the creditor • All documents received or sent related to the bankruptcy filing • Original Promissory Note or Master Promissory Note with Disbursement Records • Repayment Records	• Upon the specific request of the Department, documentation that the school requested the bankruptcy court to name the Department as the creditor • All documents received or sent related to the bankruptcy filing • Certified True Copy of Front and Back of Promissory Note or Master Promissory Note with Disbursement Records • Repayment Records	• Upon the specific request of the Department, documentation that the school requested the bankruptcy court to name the Department as the creditor • All documents received or sent related to the bankruptcy filing • Approval letter from Federal Student Aid for other acceptable alternative documentation
Bankruptcy Initiated—Final Ruling **Loan is not Discharged** (Applies to both nondefaulted and defaulted loans)	• All documents received or sent related to the bankruptcy filing, including court's determination • Original Promissory Note or Master Promissory Note with Disbursement Records • Repayment Records	• All documents received or sent related to the bankruptcy filing, including court's determination • Certified True Copy of Front and Back of Promissory Note or Master Promissory Note with Disbursement Records • Repayment Records	• All documents received or sent related to the bankruptcy filing, including court's determination • Approval letter from Federal Student Aid for other acceptable alternative documentation

Perkins Loan Sources of Information

Perkins Loan Assignment Process and Other Financial Aid

You can find detailed treatment of *Federal Perkins Loan Program Assignment Procedures* on the Knowledge Center.

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**:**

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
Office Hours: 8 a.m.–8 p.m. (ET), Monday through Friday

Information about Assignments previously submitted

For verification of assignments submitted more than 60 days previously, please email **productionprocessing@efpls.com.** In order to verify the submission, the email must include the student 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.**

Perkins Loan Sources of Information

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 6200-1
Portland, OR 97228-6200

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:

https://fsapartners.ed.gov/help-center/fsa-customer-service-center/service-centers-for-schools

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 **COD School Relations Center** at **800-848-0978** or by email **CODSupport@ed.gov.**

Perkins Loan Program Liquidation

For questions about Perkins Loan Program Liquidation, contact the **COD School Relations Center** at **800-848-0978.**

Perkins Loan Servicer Contact Information for Borrowers

Borrower Payments should be mailed to:

Department of Education
ECSI Federal Perkins Loan Servicer
P.O. Box 6200-31
Portland, OR 97228-6200

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

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
ECSI 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://fsapartners.ed.gov/sites/default/files/2021-02/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.**