

Chapter 3

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 under-graduate 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 have not been fully retired. No Perkins disbursements 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 on the Knowledge Center website](#).

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](#).

The Federal Perkins Loan Program

[34 CFR Part 674](#)
[DCL GEN-17-10](#)

Distribution of Assets

Due to the expiration of the authority to award new Perkins Loans, the Department has not been collecting Excess Liquid Capital from a school’s Perkins Loan Revolving Fund since the 2017–2018 award year. With the wind-down of the Perkins Loan Program, this process has been replaced by a similar process, the *Distribution of Assets Process*, which distributes the cash received through portfolio collections at year’s end. Please refer to the section below for additional information regarding returning the federal share to the Department.

Federal Perkins Loan Revolving Fund Distribution of Assets

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 all of the outstanding Perkins Loans held by the school have been paid in full, 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's National Student Loan Database (NSLDS) monthly as well as 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.

Calculating Distribution of Assets and returning funds to the Department

To ensure accuracy in processing the payment made by a school, when returning the 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. Note that later in the summer of 2023, the Department will be changing over to the new G6 system and will publish updated instructions for using G6.

Institutions should return the federal share through the G5 *miscellaneous refund* functionality. Note that the Department will not accept checks after 9/30/23. 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.

The distribution of your school's assets is calculated using the Proportional Share formula and information from your school's most recently submitted FISAP. The Proportional Share calculation includes both the changes in your school's cumulative Institutional Capital Contribution (ICC) matching requirements and any funds in excess of this which have been provided by your school. The calculation also takes into consideration any Federal Capital Contribution (FCC) that had been previously returned by your school to the Department and any ICC that was previously repaid to your school from the Perkins Fund.

Schools can easily find this information in Section F of the FISAP which was added to improve efficiency and oversight. Both the federal and institutional share percentages are calculated and automatically populated in this section using data entered in Section A.

Calculation of your school's amount of partial service cancellation reimbursement uses cancellation data reported on the FISAP. This process takes into consideration any prior reimbursement for service cancellations. If your school determines that any of the items used in the calculation were misreported on your submitted FISAP, corrections should be made prior to the annual Dec. 15th corrections deadline.

Please be advised that before submitting a refund via G5, the school 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 FSA Partner and School Relations Center, at 1-800-848-0978. You may also email CODSupport@ed.gov.

Distribution of Assets

Electronic Announcements of September 10, 2019, October 20, 2020, and October 22, 2021
HEA Sec. 466(a)

Electronic Announcements of [September 10, 2019](#), [October 20, 2020](#), and [October 22, 2021](#) and [October, 2022](#).
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 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, they immediately enters either a grace period or repayment. In order to properly track borrowers’ status, **your 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 servicers 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 *Volume 2*.

Coordinating official

[34 CFR 668.16\(b\)\(1\)](#)

Credit Bureau Reporting

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

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

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

Perkins NSLDS Reporting

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 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 re- payment 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.**

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

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

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 receive a statement of your account upon request.

You have the right to repay 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 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 a 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. For more detailed information,

consult your Federal Perkins Loan promissory note or the holder of your loan.

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.

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.

Perkins due diligence

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

- keep borrowers informed of any and all changes that affect the borrowers' rights or responsibilities;
- respond to any and all inquiries from borrowers;
- 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 responsible 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 the link below.**

<https://nslidsfap.ed.gov/>

Once logged into the NSLDS Professional Access website, select "REC001 Perkins Extract by Parameters" under the *Reports* dropdown. Be sure to order two separate report requests:

- one report option, or parameter, can search for the desired loan status of "Open" once selected;
- another report option, or parameter, can search for the desired loan status of "Open-Pending Transfers Only" once 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

(Please note: The following information is not a substitute for the complete instructions found in the [Perkins Loan Assignment and Liquidation Guide](#) on the Knowledge Center. Schools must follow the liquidation and closeout process as detailed in the Guide.)

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:

- 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. Required Notifications of Intent to Liquidate.

A school must notify the Department that it intends to liquidate and closeout its Perkins Program portfolio and Fund. A school may begin the liquidation and closeout process at any point.

A school must submit its intent to liquidate electronically using the Common Origination and Disbursement (COD) System. To access the Perkins Liquidation page in COD, a school logs in to the COD website (<https://cod.ed.gov>). From the School tab, click on Campus-Based at the bottom of the left navigation pane. Once directed to Campus-Based, click on Perkins on the left navigation pane, then click Perkins Liquidation Click on "Begin Liquidation Process" and follow the on-screen instructions. For further data entry instructions, please refer to Appendix B, Quick Reference Guide to Liquidation Process and Data Entry Details for COD.

Notify Third-Party Servicers

At the beginning of the liquidation process, it is important that schools communicate with any third-party servicer the school employed for servicing its portfolio. A school's third-party servicer may be obligated or contracted to assist with the process of assignment, e.g., initial notification to borrowers, loan data for completion of assignment forms. It is also important that any outstanding loans be recalled from any outside collection or litigation firms.

If a third-party servicer is assisting a school with liquidation of its portfolio, the servicer must adhere to the assignment and liquidation process procedures as outlined in this Guide. Also note the Department has posted guidance regarding Third-Party Servicer Institutional Requirements and Responsibilities on the FSA Partner's Knowledge Center website. Particularly, your school and its servicer should refer to guidance in Dear Colleague Letter's [DCL ID: GEN-15-01](#) Subject: Third-Party Servicer Institutional Requirements and Responsibilities, and [DCL ID: GEN-16-15](#) Subject: Third-Party Servicer Questions and Answers, and the [Electronic Announcement posted March 2017](#): Subject: Updated Third-Party Servicer Questions and Answers.

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 days 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.

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's Federal Perkins Loan Servicer, ECSI, 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 2. Assign Loans to the Department of Education (Transfer Outstanding Loans)

The Department expects schools to begin assigning all outstanding Perkins Loans to the Department within 45 days following the submission of Intent to Liquidate.

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 (REC001) online at [NSLDSfap.ed.gov](https://www.nsls.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).

Update NSLDS Throughout the Assignment Process

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 3. PURCHASE LOANS (if applicable) & SUBMIT CASH ON HAND (Intent and Closeout Form Phase 3 in COD)

After all assignments have been accepted and updates to NSLDS are complete, the Department records the total

outstanding principal balance (OPB) plus any calculated interest required to purchase loans not assigned or rejected for assignment (if applicable). If there are no loans to be considered as a liability or the school has already accounted for purchasing any loans by adding cash to its Perkins Fund, the Department must first enter \$0 allowing the school to proceed in entering and submitting the Current Cash on Hand balance of its Perkins Fund to the Department through Phase 3 in COD.

A school will be required to purchase loans that the Department will not accept for assignment or that are unassignable to the Department due to lack of required documentation. Whether your school has loans that it must purchase or not, it must log into COD and navigate to Phase 3 of the Perkins Intent and Closeout Form to enter and submit its final cash balance of its Perkins Fund.

STEP 4. Remit the Federal Share to the Department

If your school is required to repay a Federal share of its Perkins Loan Revolving Fund, the amount required and the instructions for repayment are provided in an official automated **Federal Share Owed letter**. The **Federal Share Owed letter** will be emailed to the school and posted on the school's Perkins Liquidation page on COD once the school enters and submits its current cash on hand balance into Phase 3 of the Intent and Closeout Form.

Returning the Federal Share to the Department

Any federal share of remaining capital should be refunded electronically via G5/G6 (<https://g5.gov>; URL will redirect to G6 once G6 is released in the summer of 2023), using the G5 Miscellaneous Refunds option. For specific guidance or for other options for returning Perkins Loan funds to the Department, refer to the "Returning Perkins Funds" instructions on the Campus-Based Processing Information Page on FSA Partners website.

Calculation of Federal Share Amount

Schools can now refer to their latest submitted FISAP for the calculation of the federal and institutional shares that make up a school's Perkins Fund as each school's capital contribution shares are different. See Part III, Section F Contributions to the Perkins Fund to find the federal share percentage of total net capital contributions from the most recent submitted FISAP for calculated ratios.

How to estimate the Federal Share Amount

A school may estimate its federal share amount due by multiplying the federal share percentage of total net capital contributions by the estimated total final cash asset. The total cash asset would be whatever the cash balance is in the Perkins account plus, if applicable, the total outstanding principal balance plus interest on loans that were not able to be assigned successfully to the Department.

STEP 5: SUBMIT FINAL FISAP DATA (Intent and Closeout Form Phase 4 in COD)

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](#).

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.

Perkins Loan Frequently Asked Questions

These Frequently Asked Questions provide further information and operational guidance on the Perkins Loan Program. The listing of the FAQs will be updated periodically (not on an award year basis) and include the date of the update. New and/or updated questions and answers will be marked NEW. To access the Perkins Loan FAQs, please see: <https://fsapartners.ed.gov/knowledge-center/faqs/federal-perkins-loan-frequently-asked-questions>.