



CB-06-10

June 23, 2006

**Subject:** Implementation of the Revised Federal Perkins Loan Program Master Promissory Note

**Summary:** This letter provides guidance on the implementation of the revised Federal Perkins Loan Program Master Promissory Note

Dear Colleague:

The Office of Management and Budget (OMB) has approved the revised Federal Perkins Loan Program Master Promissory Note (Perkins MPN) and authorized its use through June 30, 2009. The only change made to the revised the Perkins MPN is the addition of the new Military Deferment established by the Higher Education Reconciliation Act of 2005. This deferment is effective for all Perkins Loans made on or after July 1, 2001. Schools must notify all borrowers who have received Perkins Loans on or after July 1, 2001, about the availability of this new deferment. Schools may determine the most effective method for providing this notification.

***General information about the Perkins MPN***

The Perkins MPN can be used for one or more Perkins Loans made by one school. The Perkins MPN must also be used for loans made to former National Direct Student Loan (NDSL) borrowers. A school will continue to determine a borrower's eligibility for a Perkins Loan, ensure that there is a signed promissory note for a loan, provide loan disclosures, notices, and counseling to a borrower as required in 34 CFR 674.16(a) and 34 CFR 668.165(a), disburse a loan, and collect on a loan as it has always done.

As a reminder, 34 CFR 674.16(a) specifies the information that a school must provide in writing to a borrower before the school makes the first disbursement of each Perkins Loan for an award year. This information includes the principal amount of the loan, certain terms of the loan, and the cumulative amount the student has borrowed. The regulations at 34 CFR 668.165(a) specify when a school must notify a borrower of the dates and amounts of loan disbursements and of the borrower's right to cancel all or a portion of a loan.

***Two options for using the new Perkins MPN***

A school may choose to use the Perkins MPN as a single-award year promissory note or as a multi-award year promissory note. Single-award year use of the Perkins MPN requires a borrower to sign a promissory note at a minimum on an annual basis. Multi-award year use of the Perkins MPN requires just one signature when the first loan is made under the Perkins MPN.

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### Single-award year use

With single-award year use of the Perkins MPN, a borrower signs a Perkins MPN each award year. The signed Perkins MPN covers all loans that the school makes to the borrower during that award year. The borrower signs a new Perkins MPN for each subsequent award year during which the school makes loans to the borrower.

### Multi-award year use

The Perkins MPN has an optional multi-year feature for loans made in more than one award year. Under this multi-year feature, a borrower will generally only be required to complete a Perkins MPN once, when he or she first borrows a Perkins Loan from the school. The signed Perkins MPN covers all loans that the school makes to the borrower until the Perkins MPN expires, for any of the reasons noted below. If an MPN expires, the borrower would have to sign a new Perkins MPN for loans that the school makes to the borrower after that expiration date. Please note that use of the multi-year feature is at the school's option and a school may continue to require a borrower to complete a new promissory note for each award year. However, a school must comply with a student's request to not have a note used as a multi-year note.

Additionally, the language in the Perkins MPN reflects the terms and conditions that apply to Perkins Loans. Each Perkins Loan received under a multi-year Perkins MPN is a separate and distinct loan. The terms that apply to each loan (for example, eligibility requirements for deferments) are dependent on the terms that are in effect at the time each loan is made. Because loan amount and loan period information is not reflected on the Perkins MPN, a school will need to disclose loan amount and loan period information to a borrower through a means other than the promissory note and retain disbursement records that support a borrower's Perkins Loan transactions should the student be eligible for a loan specific benefit or if the school needs to enforce a loan made under a Perkins MPN through litigation.

### ***Expiration conditions for the Multi-Year Perkins MPN***

No subsequent loans may be made under a Perkins MPN after the earliest of the following dates:

- The date the school receives the borrower's written notice that no further loans may be made under the MPN;
- Twelve months after the date the borrower signs the MPN, if no disbursements are made under the MPN; or
- Ten years after the date the borrower signs the MPN or the date the school receives the MPN (except that a remaining portion of a loan may be disbursed after this date).

If a borrower does not want to have further loans made under the multi-year Perkins MPN, he or she must notify the school in writing. If that borrower later wants to receive another loan, he or she must complete a new Perkins MPN. However, any remaining disbursements of a loan made under the Perkins MPN prior to receipt of the borrower's notification may still be made.

***Effective date for use of the Perkins MPN***

As of July 1, 2006, schools may no longer distribute the Perkins MPN with the June 30, 2006 expiration date to Perkins borrowers. If a school has already sent the expiring Perkins MPN to a borrower, the loan can be made using that note because the process was initiated prior to the date the note expired. However, only the revised Perkins MPN attached to this Dear Colleague Letter can be distributed to borrowers on or after July 1, 2006. We will issue a revised electronic Perkins MPN shortly.

***Document formats for the Perkins MPN***

Federal law and regulations bar a school from changing the presentation of the Perkins MPN or changing, deleting, or adding to the prescribed text except that any text enclosed by "[ ]" may be deleted at the option of the school. As we have indicated in the past, the addition of coding (for example, bar coding for filing or processing purposes) is permitted.

If you have any questions about this letter, please contact Don Watson of my staff on 202-377-4043.

Sincerely,



Jeff Baker, Director  
Policy Liaison and Implementation  
Federal Student Aid  
U.S. Department of Education

Attachment: