

August 2006

CB-06-12

SUBJECT: Revised Assignment Form and Procedures for Assigning Perkins Loans

SUMMARY: This letter provides the revised form and procedures for the assignment of defaulted Federal Perkins Loans, National Direct Student Loans and National Defense Student Loans to the U.S. Department of Education for collection.

Dear Colleague:

Attached to this Dear Colleague Letter are the revised assignment form and procedures for the assignment of defaulted Federal Perkins Loans, National Direct Student Loans (NDSL), and National Defense Student Loans (Defense Loans) to the Department of Education (ED). Institutions that wish to assign defaulted Perkins, NDSL, or Defense Loans to ED must do so in accordance with these procedures. In addition, institutions that close or otherwise wish to end their participation in the Federal Perkins Loan Program must liquidate their Perkins loan portfolios by assigning their outstanding defaulted and non-defaulted Perkins Loans to ED in accordance with these procedures and the liquidation procedures, which we will provide in a forthcoming Dear Colleague Letter.

Institutions may assign defaulted loans to ED at any time during the program year. All loans that an institution assigns to ED are assigned without recompense. ED will not reimburse the institution's Federal Perkins Loan Fund for the loans, and all rights, authorities, and privileges associated with the loan are transferred to the United States. The institution is relieved of incurring additional expenses in attempting to collect on the loan. Any funds collected by ED on these loans are the property of the United States. Note that assignment of defaulted loans will not affect the calculation of the institution's Perkins Loan cohort default rate.

We recognize that an institution may have exhausted all of its available collection options on some of their defaulted Perkins loans. We encourage these institutions to assign these loans to ED so that we can take additional steps to recover the loan funds. We have collection tools that are not available to institutions, such as administrative wage garnishment, federal offset, and litigation by the Department of Justice.

Please carefully read and follow the assignment procedures (Attachment 1). Loan assignment submissions not adhering to these procedures may be rejected. Instructions for completing the Perkins Assignment Form are provided in Attachment 2. The form itself is provided in Attachments 3 and 4. Institutions must submit accounts for assignment using the Perkins Assignment Form. A photocopy or a computer facsimile of the form is acceptable.

We have made the following major additions to the assignment procedures and the assignment form

Assignment of Loans Made Using an Electronically Signed Promissory Note—If a school assigns loans that were made using an electronically signed promissory note, the school must submit, annually, a certification describing the school’s electronic signature authentication process. In addition, the school’s most recent audit must verify the extent to which the school’s electronic signature authentication process meets ED’s “Standards for Electronic Signatures in Electronic Student Loan Transactions”, as specified in Dear Partner Letter GEN-01-06 (see Attachment 1, page 5).

Assignment of Loans Made Under a Perkins MPN—If a school assigns loans made under an MPN, the school must maintain disbursement records documenting the principal amount loaned to the borrower until the loan is paid-in-full or otherwise satisfied. Schools also have the option of including disbursement records with the assignment submission (See Attachment 1, pages 4 and 8).

Reporting “Date(s) of First Disbursement” on the Manifest—Schools are now required to report the date of first disbursement for each loan listed on the manifest attached to the Institutional Certification page of the Perkins Assignment Form. We are collecting first disbursement date to more accurately match loans that have been assigned to ED with the loans as they were reported to the National Student Loan Data System (NSLDS). Therefore, the dates listed in this column must match the date of first disbursement initially reported by the school to NSLDS. If a borrower received more than one Perkins Loan, but the loans were rolled up into one loan and reported to NSLDS as one loan, the school lists the date of first disbursement for the first loan the borrower received. If the loans were reported to NSLDS as separate loans, the school lists date of first disbursement for each separate loan the borrower received. First disbursement dates are listed on the manifest in column format, under the heading “Date(s) of First Disbursement” (see Attachment 2, page 3).

NOTE: Under the “Total Amount Outstanding” heading on the manifest, schools continue to report the aggregate outstanding amount for all of the borrower’s loans that are included in the assignment submission, unless the loans are of different types or interest rates. This amount must match the total amount outstanding reported on the Borrower and Loan Information page of the Perkins Assignment Form. If a borrower’s loans are listed separately because they are of different types or interest rates, a separate Borrower and Loan Information page must be submitted for each type of loan being submitted for assignment for that borrower.

Currently, we can accept the Perkins Assignment Form in PDF or WORD format. However, due to requirements of the Privacy Act, we cannot accept assignment packages via e-mail. The Borrower and Loan Information page of the Perkins Assignment Form can be submitted to ED using a CD-ROM or a 3.5-inch diskette. Schools submitting assignments using these disk formats should mail the CD-ROM or diskette to the Perkins Loan Assignment Processing Center. Schools should include with the diskette or CD-ROM the original paper promissory note(s) for the loan(s) being assigned and the Institutional Certification page, signed by the appropriate institutional official. The school is still responsible for all information submitted using these media.

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Upon assigning a loan to ED, the institution must update the status of the assigned loan with the national credit bureau(s) to which it had reported the loan. In most cases, this may be done either by withdrawing the account entirely from the credit bureau or requesting that the credit bureau recode the account to indicate that the loan is being assigned to ED (see Attachment 1, Page 9).

Institutions must have successfully reported the loan to the National Student Loan Data System (NSLDS) before the loan may be assigned. Before submitting a loan to ED for assignment, the institution must also update the NSLDS record, using a Loan Transfer Code of "AE", to reflect the assignment.

Questions regarding assignment procedures should be directed to the offices listed in Section VI. ("Information Sources") of Attachment 1. Please do not contact the Assignment Processing Center. For information on the repayment status of past assignments, contact the appropriate ED Regional Office. All other questions on Perkins loan assignments should be directed to Federal Student Aid, Borrower Services, Collections Group at (202) 377-3373.

Institutions that will no longer be participating in the Federal Perkins Loan Program should direct questions on liquidation procedures to Rhonda Herbert of our Federal Student Aid Campus-Based Operations staff at (202) 377-3180. Institutions that have closed or are in the process of closing should contact the appropriate Federal Student Aid, Application, Student Eligibility and Delivery Service, School Participation Team list on page 15 and 16 of the Assignment Submission Procedures (Attachment1).

Sincerely,

Jeff Baker, Director
Policy Liaison and Implementation
Federal Student Aid

Attachment 1 - Assignment Submission Procedures

Attachment 2 - Perkins Assignment Form Instructions

Attachment 3 - Assignment Form: Institutional Certification

Attachment 4 - Assignment Form: Borrower and Loan Information