



UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF POSTSECONDARY EDUCATION

JAN 30 2015

GEN-15-03

Subject: Wind-down of the Federal Perkins Loan Program

Summary: This letter provides information on the wind-down of the Federal Perkins Loan Program and schools' limited authority to continue to make loans to certain students beyond September 30, 2015.

Dear Colleague:

This letter provides an update on the status of the Federal Perkins Loan Program as we approach the end of the statutory authority for schools to make Perkins Loans. Under section 461(b)(1) of the Higher Education Act of 1965, as amended (the HEA), the authority for schools to make a Federal Perkins Loan ended on September 30, 2014, with an automatic one-year extension pursuant to section 422(a) of the General Education Provisions Act (GEPA). Thus, absent Congressional action, schools may not make Federal Perkins Loans to new borrowers after September 30, 2015. If prior to October 1, 2015, a school makes the first disbursement of a Federal Perkins Loan to a student for the 2015-2016 award year, the school may make any remaining disbursements of that 2015-2016 loan after September 30, 2015.

In addition, section 461(b)(2) of the HEA includes a narrow "grandfathering" provision that allows schools to make Federal Perkins Loans to certain students for up to five additional years (through September 30, 2020) to enable students who received loans for award years that end prior to October 1, 2015 "to continue or complete courses of study." The award year that ends prior to October 1, 2015, is the current 2014-2015 award year, which ends on June 30, 2015. Thus, a school may make a new Perkins Loan to a student after September 30, 2015, if all of the following conditions are met:

1. The school made at least one Perkins Loan disbursement to the student on or before June 30, 2015.
2. The student is enrolled at the same institution where the last Perkins Loan disbursement was received. For example, a student who received a Perkins Loan disbursement for enrollment at School A, and then received a Perkins Loan disbursement for enrollment at School B would be considered to be an eligible grandfathered borrower at School B, provided all other conditions are met, but not for a subsequent enrollment at School A.

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3. The student is enrolled in the same academic program for which the student received his or her last Perkins Loan disbursement. We consider an academic program to be the same program only if the first four digits of the program's Classification of Instructional Program (CIP) code are identical to the first four digits of the CIP code for the program for which the student received his or her last Perkins Loan disbursement.
4. While the law provides for this limited "grandfathering" continued eligibility for Perkins Loans "as may be necessary to enable students . . . to continue or complete courses of study," many of these grandfathered students could have their need met by a combination of other student aid and thus will not need a Perkins Loan to "enable [them]...to continue or complete [their] courses of study." Therefore, a Perkins Loan can be made to an otherwise eligible grandfathered student to meet all or some of the student's unmet need only after the student has been awarded all Direct Subsidized Loan aid for which the student is eligible.

Note that because the grandfathering provision applies only to students who received a Perkins Loan for award years 2014-2015 or earlier, a student who received his or her first Perkins Loan for the 2015-2016 final award year of the program, (e.g., an incoming first-year student) will not be an eligible grandfathered student for purposes of receiving loans beyond that 2015-2016 award year.

There are additional significant aspects of the wind-down of the Federal Perkins Loan Program, including the disposition of schools' Perkins Loan revolving funds and outstanding loan portfolios that will need to be addressed. We plan to provide information on these and other important Perkins Loan Program issues over the course of the next several months as we approach September 30, 2015.

Thank you for your cooperation.

Sincerely,



Lynn B. Mahaffie

Deputy Assistant Secretary, Policy, Planning, and Innovation  
Office of Postsecondary Education