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Friday  
September 26, 1997

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**Part VIII**

**Department of  
Education**

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**34 CFR Parts 674, 675, and 676  
Federal Perkins Loan Program, Federal  
Work Study Program, and Federal  
Supplemental Educational Opportunity  
Grant Program; Final Rule**

## DEPARTMENT OF EDUCATION

## 34 CFR Parts 674, 675, and 676

RIN 1840-AC40

**Federal Perkins Loan Program, Federal Work-Study Program, and Federal Supplemental Educational Opportunity Grant Program**

AGENCY: Department of Education.

ACTION: Final regulations.

**SUMMARY:** This document contains amendments to regulatory provisions that provide consistency among program regulations, correct minor technical errors and omissions in the existing regulations governing the programs, and conform with self-implementing provisions of the Higher Education Act of 1965, as amended (HEA). The student financial assistance programs authorized by title IV of the HEA, include the campus-based programs (Federal Perkins Loan, Federal Work-Study (FWS), and Federal Supplemental Educational Opportunity Grant (FSEOG) programs).

**EFFECTIVE DATE:** These regulations take effect October 27, 1997.

**FOR FURTHER INFORMATION CONTACT:**

1. For the FWS and FSEOG programs: Ms. Kathy Gause, Campus-Based Grants Program Specialist, U.S. Department of Education, 600 Independence Avenue, SW, Regional Office Building 3, Room 3053, Washington, DC 20202-5447. Telephone: (202) 708-8242.

2. For the Federal Perkins Loan Program: Ms. Gail McLarnon, Campus-Based Loan Program Specialist, U.S. Department of Education, 600 Independence Avenue, SW, Regional Office Building 3, Room 3053, Washington, DC 20202-5447. Telephone: (202) 708-8242.

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**SUPPLEMENTARY INFORMATION:** On March 4, 1995, the President directed every Federal agency to review its rules and procedures to reduce regulatory and paperwork burden and directed Federal agencies to eliminate or revise those regulations that are outdated or otherwise in need of reform.

As part of his response to the President's Regulatory Reinvention Initiative, and to improve program accountability to protect students and the Federal fiscal interest, the Secretary published amendments to the cash management regulations contained in part 668, subpart K, in the **Federal Register** (61 FR 60578-60610) on November 29, 1996 (effective date July 1, 1997). The campus-based programs regulations are amended to conform with the cash management regulations published on November 29, 1996, and to correct errors and omissions in the text of the campus-based programs existing regulations.

Although these regulations do not establish any new policies, there are issues surrounding the technical changes to the regulations that govern the Federal Perkins Loan Program that need further explanation. Several Federal Perkins Loan Program regulatory provisions are amended to conform with self-implementing provisions of the HEA. The following list summarizes those issues:

**Federal Perkins Loan Program***Default Reduction Plan—Section 674.6*

The Secretary amends § 674.6 to eliminate the option allowing institutions to submit a statement to the Secretary indicating that they, in order to satisfy the requirement to establish and implement a default reduction plan for their Federal Perkins Loan Program, agree to apply to their Federal Perkins Loan Program the default management plan in place for their Federal Family Education Loan (FFEL) Program. This change is being made because as of July 1, 1996, institutions participating in the FFEL Program are no longer required to develop default management plans.

*Student Eligibility—Section 674.9*

An incorrect cross-reference has been corrected in paragraph (a) by removing "34 CFR 668.7," and adding, in its place, "34 CFR 668.32."

*Fiscal Procedures and Records—Section 674.19*

An incorrect cross-reference has been corrected in paragraph (b) by removing "§ 668.164," and adding, in its place, "§ 668.163."

*Promissory Note—Section 674.31 and Repayment—Section 674.33*

The Secretary amends §§ 674.31 and 674.33 to add language requiring institutions to exclude periods of forbearance in determining the 10-year repayment period for a Federal Perkins loan. This language, which reflects section 464(c)(4) of the HEA, was

inadvertently omitted from the current Federal Perkins Loan Program regulations.

The Secretary also amends § 674.33(b)(6)(ii) by adding a reference to a \$30 minimum monthly payment rate for Direct loans. This reference was inadvertently omitted when the Secretary published final regulations on November 30, 1994, that revised the minimum monthly payment rate language in this section to reflect the new \$40 rate for Federal Perkins loans in accordance with the HEA.

*Deferment of Repayment—Section 674.34*

The Secretary amends § 674.34(h) to clarify that an institution may not include the period of the post-deferment grace period in determining the 10-year repayment period for a Federal Perkins loan in accordance with section 464(c)(2)(A)(iv) of the HEA.

*Deferment of Repayment—Federal Perkins Loans Made Before July 1, 1993—Section 674.35, Deferment of Repayment—Direct Loans Made on or After October 1, 1980, but Before July 1, 1993—Section 674.36, and Deferment of Repayment—Direct Loans Made Before October 1, 1980 and Defense Loans—Section 674.37*

The Secretary amends §§ 674.35, 674.36, and 674.37 to add the hardship deferment to the list of the qualifying deferment periods that are not to be included in the 10-year repayment period for a Federal Perkins loan. This change reflects section 464(c)(4) of the HEA and was inadvertently omitted from the Federal Perkins Loan Program regulations.

*Collection Procedures—Section 674.45*

The Secretary amends § 674.45(c)(1)(ii)(A) by eliminating the phrase "unless specifically prohibited by State law," in order to make this paragraph consistent with section 484A of the HEA and § 674.45(g). Final regulations published on November 30, 1994, in accordance with the HEA, added § 674.45(g), the provisions of which specifically preempt State statutes, regulations, or rules that would hinder satisfaction of requirements that an institution must carry out in collecting Federal Perkins loans.

*Cancellation Procedures—Section 674.52*

The Secretary amends § 674.52(d)(2) by adding § 674.58 to the cross-references. This cross-reference, which reflects the changes made to section 464(c)(2)(A)(iv) of the HEA, was inadvertently omitted from the Federal

Perkins Loan Program regulations. The addition of a cross-reference to § 674.58 allows a borrower with a loan made on or after July 1, 1993, to defer repayment while doing service that qualifies for cancellation in a Head Start program.

#### **Federal Work-Study Program**

There are no major changes to the FWS Program. However, the Secretary has made some minor technical changes as described in the following paragraphs.

##### *Student Eligibility—Section 675.9*

An incorrect cross-reference has been corrected in paragraph (a) by removing “34 CFR 668.7,” and adding, in its place, “34 CFR 668.32.”

##### *Fiscal Procedures and Records—Section 675.19*

An incorrect cross-reference has been corrected in paragraph (a)(3) by removing “§ 668.164,” and adding, in its place, “§ 668.163.”

##### *Eligible Employers and General Conditions and Limitations on Employment—Section 675.20*

The Secretary amends § 675.20(b)(1) to add the word “public” after the word “local,” and to delete the phrase “(see appendix B for a sample agreement)” in paragraph (b)(1). Appendix B was previously removed from regulations and is now included in the Federal Student Financial Aid Handbook

##### *Employment Provided by a Federal, State, or Local Public Agency, or a Private Nonprofit Organization—Section 675.22*

The Secretary amends § 675.22 to add the word “public” after the word “local” in the section heading.

##### *Nature and Source of Institutional Share—Section 675.27*

A typographical error has been corrected in the authority citation following the section.

#### **Federal Supplemental Educational Opportunity Grant Program**

There are no major changes to the FSEOG Program. However, the Secretary has made some minor technical changes as described in the following paragraphs.

##### *Student Eligibility—Section 676.9*

An incorrect cross-reference has been corrected in paragraph (a) by removing “34 CFR 668.7,” and adding, in its place, “34 CFR 668.32.”

##### *Fiscal Procedures and Records—Section 676.19*

An incorrect cross-reference has been corrected in paragraph (a)(2) by removing “§ 668.164,” and adding, in its place, “§ 668.163.”

##### *Paperwork Reduction Act of 1995*

These regulations have been examined under the Paperwork Reduction Act of 1995 and have been found to contain no information collection requirements.

##### *Regulatory Flexibility Act Certification*

The Secretary certifies that these regulations would not have a significant economic impact on a substantial number of small entities. The small entities affected by these regulations are small institutions of higher education. These regulations contain technical amendments that correct current regulations.

The changes will not have a significant economic impact on the institutions affected.

##### *Waiver of Proposed Rulemaking*

In accordance with the Administrative Procedure Act, 5 U.S.C. 553, it is the practice of the Secretary to offer interested parties the opportunity to comment on proposed regulations. However, the regulatory changes in this document are necessary to correct minor technical errors, to implement mandatory statutory provisions, and to correct omissions in the campus-based programs existing regulations. The changes in this document do not establish any new policies. Therefore, the Secretary has determined that publication of a proposed rule is unnecessary and contrary to the public interest under 5 U.S.C. 553(b)(B).

##### *Intergovernmental Review*

The Federal Supplemental Educational Opportunity Grant program is subject to the requirements of Executive Order 12372 and the regulations in 34 CFR part 79. The objective of the Executive order is to foster an intergovernmental partnership and a strengthened federalism by relying on processes developed by State and local governments for coordination and review of proposed Federal financial assistance.

In accordance with the order, this document is intended to provide early notification of the Department's specific plans and actions for this program.

The Federal Perkins Loan and Federal Work-Study programs are not subject to the requirements of Executive Order 12372 and the regulations in 34 CFR part 79.

##### *Assessment of Educational Impact*

Based on its own review, the Department has determined that the regulations in this document would not require transmission of information that is being gathered by or is available from any other agency or authority of the United States.

#### **List of Subjects**

##### *34 CFR Part 674*

Loan programs—education, Student aid, Reporting and recordkeeping requirements.

##### *34 CFR Part 675*

Colleges and universities, Employment, Grant programs—education, Student aid, Reporting and recordkeeping requirements.

##### *34 CFR Part 676*

Grant programs—education, Student aid, Reporting and recordkeeping requirements.

Dated: September 23, 1997.

**Richard W. Riley,**  
*Secretary of Education.*

(Catalog of Federal Domestic Assistance Numbers: 84.007 Federal Supplemental Educational Opportunity Grant Program; 84.033 Federal Work-Study Program; and 84.038 Federal Perkins Loan Program)

The Secretary amends parts 674, 675, and 676 of Title 34 of the Code of Federal Regulations as follows:

#### **PART 674—FEDERAL PERKINS LOAN PROGRAM**

1. The authority citation for part 674 continues to read as follows:

**Authority:** 20 U.S.C. 1087aa–1087hh and 20 U.S.C. 421–429, unless otherwise noted.

##### **§ 674.6 [Amended]**

2. Section 674.6 is amended by removing the semicolon at the end of paragraph (a)(1) and adding, in its place, “, or”; by removing “; or” at the end of paragraph (a)(2) and by adding, in its place, a period; and by removing paragraph (a)(3).

##### **§ 674.9 [Amended]**

3. Section 674.9(a) is amended by removing “34 CFR 668.7” and by adding, in its place, “34 CFR 668.32”.

##### **§ 674.19 [Amended]**

4. Section 674.19(b) is amended by removing “§ 668.164” and adding, in its place, “§ 668.163”.

5. Section 674.31(b)(2)(i)(D) is revised to read as follows:

##### **§ 674.31 Promissory note.**

\* \* \* \* \*

(b) \* \* \*  
 (2) \* \* \*  
 (i) \* \* \*

(D) May vary because of minimum monthly repayments (see § 674.33(b)), extensions of repayment (see § 674.33(c)), forbearance (see § 674.33(d)), or deferments (see §§ 674.34, 674.35, and 674.36);

\* \* \* \* \*  
 6. Section 674.33 is amended by adding “for a Direct Loan or” after “§30” in paragraph (b)(6)(ii), and by adding a new paragraph (d)(8) to read as follows:

**§ 674.33 Repayment.**

\* \* \* \* \*  
 (d) \* \* \*

(8) The institution may not include the periods of forbearance described in this paragraph in determining the 10-year repayment period.

\* \* \* \* \*

7. Section 674.34(h) is revised to read as follows:

**§ 674.34 Deferment of repayment—Federal Perkins loans and Direct loans made on or after July 1, 1993.**

\* \* \* \* \*

(h) The institution may not include the deferment periods described in paragraphs (b), (c), (d), (e), (f), and (g) of this section and the period described in paragraph (i) of this section in determining the 10-year repayment period.

\* \* \* \* \*

8. Section 674.35 is amended by removing “(see § 674.56)” in paragraph (c)(1) and adding, in its place, “(see § 674.59)”; by removing “(see § 674.57)” in paragraphs (c)(3) and (4) and adding, in its place, “(see § 674.60)”; by removing paragraph (g); by redesignating paragraph (i) as paragraph (g); by redesignating paragraph (h) as paragraph (i); and by adding a new paragraph (h) to read as follows:

**§ 674.35 Deferment of repayment—Federal Perkins loans made before July 1, 1993.**

\* \* \* \* \*

(h) The institution may not include the deferment periods described in paragraphs (b), (c), (d), (e), (f), and (g) of this section and the period described in paragraph (i) of this section when determining the 10-year repayment period.

\* \* \* \* \*

**§ 674.36 [Amended]**

9. Section 674.36 is amended by removing “(see § 674.56)” in paragraph (c)(1) and adding, in its place, “(see § 674.59)”; by adding “(see § 674.60)” before the semicolon in paragraphs (c)(2) and (c)(3); and by removing “and” after “(c),” and adding “, and (e)” after “(d)” in paragraph (f).

**§ 674.37 [Amended]**

10. Section 674.37 is amended by removing “(see § 674.56)” in paragraph (c)(1) and adding in its place “(see § 674.59)”; by adding “(see § 674.60)” before the semicolon in paragraph (c)(2) and before the period in paragraph (c)(3); and by removing “and (c)” after “(b)” and adding, in its place, “, (c), and (e)” in paragraph (d).

**§ 674.45 [Amended]**

11. Section 674.45(c)(1)(ii)(A) is amended by removing “, unless specifically prohibited by State law,” after “shall”.

**§ 674.52 [Amended]**

12. Section 674.52(d)(2) is amended by removing “or” before “674.57” and by adding “, or 674.58” after “674.57”.

**PART 675—FEDERAL WORK-STUDY PROGRAMS**

13. The authority citation for part 675 continues to read as follows:

**Authority:** 42 U.S.C. 2751–2756b, unless otherwise noted.

**§ 675.9 [Amended]**

14. Section 675.9(a) is amended by removing “34 CFR 668.7” and adding, in its place, “34 CFR 668.32”.

**§ 675.19 [Amended]**

15. Section 675.19(a)(3) is amended by removing “§ 668.164” and adding, in its place, “§ 668.163”.

**§ 675.20 [Amended]**

16. Section 675.20(b)(1) is amended by adding “public” after “local” in the first sentence and by removing in the second sentence “(see Appendix B for a sample agreement)”.

**§ 675.22 [Amended]**

17. Section 675.22 is amended by adding in the heading “public” after “local”.

**§ 675.27 [Amended]**

18. Section 675.27 is amended by revising the authority citation following the section to read as follows:

(Authority: 42 U.S.C. 2754)

**PART 676—FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT PROGRAM**

19. The authority citation for part 676 continues to read as follows:

**Authority:** 20 U.S.C. 1070b–1070b–3, unless otherwise noted.

**§ 676.9 [Amended]**

20. Section 676.9(a) is amended by removing “34 CFR 668.7” and adding, in its place, “34 CFR 668.32”.

**§ 676.19 [Amended]**

21. Section 676.19(a)(2) is amended by removing “§ 668.164” and adding, in its place, “§ 668.163”.

[FR Doc. 97–25658 Filed 9–25–97; 8:45 am]

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