



SPRING CONFERENCE

Kansas City, Missouri

2003

Federal Perkins Loan Program Regulatory & Management Update



Perkins Loan Program Regulatory & Management Update

This session offers an overview of changes to the Federal Perkins Loan Program that go into effect on July 1, 2003. We will also discuss the upcoming implementation of a Master Promissory Note and plans for increasing schools' use of electronic notes and other forms.



Negotiated Rulemaking 2002 Effort

- Final Regulations – Published November 1, 2002
- Combined Final – Loan and Program Issues
- Early Implementation: All items at school, lender or guaranty agency option

Loan Issues

- Cross Programs (FFEL, DL & Perkins)
 - Maintenance of Promissory Notes
 - For Perkins, reflects MPN and eliminates signature once each aware year
 - Recognizes electronic storage of E-notes
 - Loan Counseling
 - Party other than school can conduct counseling
 - Disclosure of borrower access to NSLDS

Loan Issues

- Cross Programs (FFEL, DL & Perkins)
 - Economic Hardship Deferments
 - 10 years or less repayment: use actual monthly payment amount
 - More than 10 years: 10 year repayment assumption

Loan Issues

- Cross Programs (FFEL, DL & Perkins)
 - Rehabilitation of Defaulted Loans
 - Judgment borrowers no longer entitled to rehabilitation
 - Special conditions to regain Title IV eligibility
 - Pay loan in full, or
 - Make payment arrangements satisfactory to holder:
 - » Minimum of six payments
 - » Must be “voluntary” consecutive, monthly

Loan Issues

- Cross Programs (FFEL, DL & Perkins)
 - Rehabilitation of Defaulted Loans (cont.)
 - Judgment holder may offer other benefits
 - Agreement that leads to removal of negative credit history
 - Agreement to Vacate the judgment
 - Regardless of agreement, debt remains in default unless paid in full
 - Formal regulatory rehabilitation available to borrower after the judgment is vacated
 - Transition: Prior rehabilitation agreements with judgment borrowers will be honored

Loan Issues

- Perkins Loans Only
 - Late Charges
 - Optional, but consistent application
 - Write-Offs
 - Balances of <\$25; < \$50 with two years billed
 - Transfer of Fund
 - Eliminates transfer of loans to another institution

Loan Issues

- Perkins Loans Only
 - Assignment of Loans
 - Technical change
 - Clarifies TPD loans can be assigned
 - Litigation
 - Biennial rather than annual review
 - \$200 limit increased to \$500

Loan Issues

- Perkins Loans Only
 - Multiyear Promissory Note reflected in regulation
 - Coordinating monthly payments on loans from different schools at borrower's request
 - Copy of prom note at exit counseling only at borrower's request

Negotiated Rulemaking 2002 Effort

■ Program Issues

– Leave of Absence

- Multiple official leaves possible not to exceed 180 days total in 12-month period
- Student is returned to same program and payment period

– Timely Payment of Refunds

- 30 days after date of withdrawal determination

Negotiated Rulemaking 2002 Effort

- Program Issues (cont.)
 - Late Disbursements
 - Increase timeframe from 90 to 120 days
 - Require disbursement for completed payments periods
 - ED approval for post-120 day exceptions
 - De Minimus Overpayment Amount
 - Student not liable for <\$25 overpayment under certain circumstances

Perkins Loan Program Assignment Process

- Current Perkins Loan Program Assignment Form
 - Approved for one year only
 - Substantial changes to documentation requirements
- Revised Policies and Procedures
 - April 2002 DCL CB-02-05

Perkins Loan Program Assignment Process

- Further Revised Form and Policies and Procedures circulated for informal public comment by 10/4/2002
- First 60-day OMB public comment due 2/18/2003
- Final 30-day OMB public comment approximately 3/2003
- Revised form available: approx. 4/2003

Perkins Loan Program Assignment Process

- April 2002 DCL CB-02-05 eliminated requirements that schools submit:
 - Repayment schedules
 - Repayment history
 - Acceleration notices
 - Recall documentation
 - Cancellation and deferment documentation



Perkins Loan Program Master Promissory Note

- Public Comment on Perkins Loan MPN:
 - Informal Comment closed 9/6/2002
 - First 60-Day OMB Public Comment Period closes 2/28/2003
 - Final 30-Day OMB Public Comment Period estimated to close mid March/April 2003
 - MPN available approximately May 2003
 - Replaces Current Perkins Prom Notes



Perkins Loan Program E-Notes and E-Signature

- Electronic version of current Perkins Prom note posted on IFAP 7/2002
- Use of ED E-signature standards required (GEN-01-06, May 2001)
- Require Subsidiary Record of Disbursements and Adjustments

General Title IV Use of Electronics

- Unless a regulation specifically states that a notification, certification, authorization, or signature must be in a paper format, such communications may be accomplished electronically.
- Schools may use electronic records and signatures to provide written information or secure authorizations, certifications or signatures from students and parents

General Title IV Use of Electronics

- Regulatory Impact
 - Since, in almost all instances, the current language of the regulations does not specifically require either a printed “pen and ink” communication or a “wet” signature, there is no need to modify the regulations.

Guidelines for Using Electronics

- Secure customer consent before transaction
- Outline right to paper document, to withdraw consent and scope of consent
- Outline technological capability requirements
- Issue identity credential (Password or Pin) and authenticate credential
- Apply record retention requirements in 668.24 and e-signature standards for accuracy, integrity and accessibility of e-records

Planned Guidance on Use of Electronics

- DCL on use of electronics in Title IV administration under development
 - Sending of electronic notices
 - Obtaining electronic authorizations
 - Use of electronics in verification process
 - Use of shared secrets such as PINS
 - Ensuring privacy and security
 - Issues related to evolving technologies

Tech Slide

We appreciate your feedback and comments. Gail McLarnon can be reached at:

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