



An Update on Perkins Loan Issues

Presented by Mark R. Goodman

Crusin' to Collections 2016

Perkins Loan Issues

- Status of the Perkins Loan Program
 - HEA authorized Perkins through Sept. 30, 2014
 - Perkins received an automatic 1-year extension under the General Education Provisions Act (GEPA)
 - Perkins Loan Program expired on Sept. 30, 2015
 - The first few slides of Today's presentation are "history" and reflect what WAS prior to Perkins being "SAVED"

Perkins Loan Issues

- Status of Perkins Loan Program
 - Schools were no longer able to make Perkins Loans except under the following conditions:
 - A school could make any remaining disbursements of a Perkins Loan that was first disbursed before Oct. 1, 2015, for the 2015-16 award year
 - A school could make new Perkins Loans to borrowers who qualify under the “grandfathering” provision

- A Perkins borrower may be “grandfathered” if the borrower:
 - Received at least one Perkins Loan disbursement before June 30, 2015
 - Is enrolled at the same institution where the last Perkins disbursement was received
 - Is enrolled in the same academic program for which the last disbursement was received
 - Has unmet need after being awarded all Direct Subsidized Loan aid for which the borrower is eligible

- A grandfathered Perkins borrower:
 - May decline a Direct Subsidized Loan, as long as the amount of the offered Direct Loan is included in the calculation of the student's Perkins Loan eligibility
 - Who is initially enrolled as undeclared, undecided, or in a general education major may receive subsequent Perkins Loans after the borrower has a specific, declared major

- A grandfathered Perkins borrower:
 - May receive Perkins Loans for up to five additional years (thru Sept. 30, 2020)
 - *The 5-7 years is important when considering the possible ending of any Federal Loan Program*

- Administrative Cost Allowance (ACA)
 - Schools would have continued to **use ACA to service Perkins Loans**, including ACA generated from the FWS and FSEOG programs
- Other **costs chargeable to the FUND will be covered in detail in the second part of today's Perkins Presentations ..So stay tuned and learn additional ways to make Perkins even more beneficial to your Institution!**

Federal Perkins loan program Extension Act of 2015

- The Program was "*SAVED*" –*sort of!*
 - Extended through September 30th 2017 (with limitations)
 - Different Requirements Grad vs Undergrad
 - Grandfathering provisions eliminated
 - Prohibits automatic extensions—Congress must Act!

A Look at Undergraduate Provisions

- A School can award a student who currently HAS a Perkins Loan if all eligible Direct Subsidized Stafford Loan Aid has been awarded
- A School can award a NEW Perkins borrower only if all eligible Direct Subsidized and Unsubsidized Stafford Loan Aid has been awarded
- A borrower will change status the following award year.

Undergraduate (2)

- Students may decline or reduce Direct loan awards without changing Perkins Eligibility
 - Even if declined , eligibility amounts must be included in calculations
- If eligibility status changes Perkins must be recalculated even after disbursement
- The basic requirement is that all Direct eligibility must be rewarded prior to offering Perkins.
 - All calculations to determine eligibility be consistent throughout the population (i.e. handling EFC)
 - If Grade level changes mid-year affecting Direct eligibility, Perkins must again be recalculated and adjusted

Undergraduate (3)

- If a Parent Plus is denied, additional Unsubsidized Direct funds must be recalculated when considering Perkins awards
- However if additional Title IV funds are awarded the School has the option to reduce the Stafford monies to correct the over-award
- *I hope this was helpful to those who do not necessarily understand everything that our "friends" in Financial Aid now have to look at with the Perkins changes!*

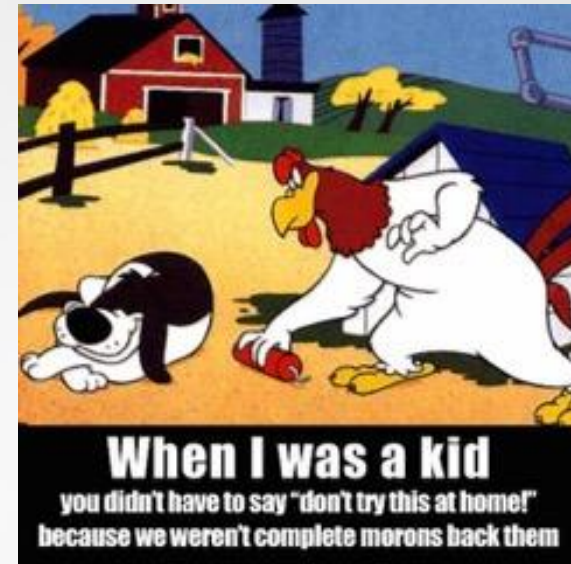
Now for the Graduate Student

- The Student must have received a Perkins (GRAD) Loan before October 1, 2015 from ***Your School***.
- The Student is continuing or will be completing the SAME Academic Program!
 - Defined by first 4 digits of CIP code
 - Exception if received Masters and now new PhD has different code

Future Disbursements

- If Undergraduate Disbursements are awarded for the 2017-2018 award year, then borrower may receive subsequent disbursements of the loan.
- If Graduate Disbursements are awarded for the 2016-2017 award year, then borrower may receive any subsequent disbursements of the loan.

New Perkins Loan Disclosures



- A notice and explanation regarding:
 - the end and future availability of Perkins Loan program loans
 - of repayment and forgiveness benefits available to Direct borrowers but not available to Perkins borrowers
 - The borrowers option to consolidate a Perkins into a Direct Consolidation Loan (including any benefit of a consolidation)

New Disclosures (2)

- I will supply a sample of a Disclosure Statement for you today – *I am NOT an Attorney – please have your University Counsel review any such forms a Presenter like me supplies you with, prior to implementing them at your institution!*
- The new forms Must compare rates for Perkins and Direct (both subsidized and unsubsidized) Loans
- The Borrower must also be supplied with the maximum annual borrowing limits of Subsidized and (if new) Unsubsidized Loans for which they are eligible
- The forms are REQUIRED before the first disbursement of each Perkins Loan
- ED will NOT publish new MPN with the disclosures, old MPN refers to “additional” disclosures

Excess Liquid Capital (ELC)

- Federal share of ELC must be returned by December 31st of each year
 - ED now provides a worksheet
 - Instructions on IFAP "Instructions for Returning Perkins Funds"
- Excess cash was handled as follows:
 - ED would estimate the amount of excess cash in schools' Funds, based on expenditures reported on the FISAP
 - Federal share of excess cash must be returned to ED
 - Schools may **remove the institutional share of excess cash from the Fund**
 - **ELC occurs when funds are NOT used to make loans to Students (WHY??) and exceeds Institutions ESTIMATED needs**
 - *This is Unrelated to any closeout of the Perkins Revolving Fund*

Perkins Loan Assignments

- For many years the Department has encouraged schools to assign Perkins Loans.
 - Many notices have been sent and many a Department speaker has appealed to Schools to Assign Loans
 - There is currently NO requirement to assign your loans
 - It is now easier to do so and I would be willing to discuss pros and cons on assignment based on certain status and circumstances of the loans -- during breaks, evenings or one on one by telephone at any time.
 - When at Temple University we assigned accounts continually, but very few based on our portfolio

Perkins Loan Assignment System (PLAS)

- PLAS will allow authenticated users to:
 - Submit multiple loans as a batch file, or submit individual loans
 - Upload supporting documentation (prom notes, payment histories, etc.)
 - Search, view and edit submitted assignment information
 - View reports of Perkins loans accepted or rejected for assignment

Making it easier to assign ... Getting Institutional contributions returned on Assigned Accounts ... ***no mention!***

Charging the Fund

- Switching gears to Part II of Today's Perkins Presentations
- *Using the benefits the Program intended*

Charging the Fund

- There are a wide variety of Costs that are CHARGABLE to the Fund that many Institutions overlook. These costs were established so that an institution can correctly manage the Fund without experiencing a hardship.
- Many of the same costs can be charged to loan funds including HPSL and depending on the set up, even Institutional Funds.
- Understanding these Costs can help you utilize the necessary tools and staffing levels to run a successful Program!

34 CFR 674.47

Cost chargeable to the Fund

- Billing Costs
 - actions taken with regards to past due payments
 - Institution or Loan servicer
 - telephone calls

34 CFR 674.47

Cost chargeable to the Fund

- Collection Costs
 - unpaid collection costs
 - successful address searches
 - use of Credit Bureaus
 - percentage as applied to first and second effort collections
 - costs to rehabilitate loans
 - litigation including attorney fees
 - court costs
 - bankruptcy procedure costs
 - cessation of collection costs (<\$200 > 4years)
 - Write-off of accounts (\$25 or \$50 if borrower billed at rate for 2+ years)

34 CFR 673.7

Cost chargeable to the Fund

- This section deals with Administrative Costs Allowances
 - Perkins and other programs like Federal Work Study are covered
 - This includes cost to administer the program
 - Costs to carry out the program
 - Cost to ensure students get the information
 - Cost to develop mechanisms to give the students a quality program
 - Cost to ensure student access

Look at what you are Charging

A sample to consider

- Salary and Benefits
 - Administrators, Collectors, Clerical Staff
 - What percentage of their time is spent every day (charge quarterly)
- Non-Compensatory Expenses
 - Telephone & Communication
 - Postage & Shipping
 - Training
 - Loan Servicer Management System
 - Loan Servicers – Inquiries/letters
 - Credit Unions (e-Oscar etc.)
 - Equipment & Maintenance
 - Loan Imaging System
 - Secured Document Shredding Cost
 - Bankruptcy Defense Filing

Then Compute for Each Program

- After you calculate the percentage that is applied for each program, then apply to a spread sheet
- Then repeat for each eligible Loan program
- Do this quarterly (large school) semi-annually (small school)
- The result will be a well managed affordable, effective program with a happier better equipped staff!

Questions?

- The time is now yours to ask questions on HOW we did things at a large school and what the future may bring for Perkins or an idea for an alternative Institutional Program to fill the gap if it is not here for the Students!



Thank you ...

Mark R. Goodman
Second Alliance Inc.
Director of Education
mark@secondalliance.com
Office: 702-891-0772