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# Participation, Fiscal Procedures, & Records

*Schools must maintain funds and records according to the procedures of the Federal Perkins Loan Program.*

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## PROGRAM PARTICIPATION AGREEMENT

### Program Participation Agreement cite

34 CFR 674.8

A school that wants to participate in any Federal Student Aid (FSA) program must sign a Program Participation Agreement with the Secretary. (See *Volume 2 - Institutional Eligibility and Participation* for more general information about the Program Participation Agreement.) The agreement requires the school to submit annually to the Department a report containing information that will enable the Department to determine the school's cohort default rate (discussed in chapter 8 of this volume).

The agreement for the Federal Perkins Loan Program also requires the school to establish and maintain a Fund and to deposit into the Fund:

- the Federal Capital Contribution (FCC) the school receives as its federal allocation for the program for each award year (explained later in this chapter);
- the school's matching share—the institution's capital contribution (ICC), discussed on the next page;
- payments the school receives for repayment of loan principal, interest, collection charges, and penalty or late charges on loans from the fund;
- payments the school receives from the federal government for cancellations (such as teacher cancellations) of Perkins Loans and National Direct Student Loans (see chapter 6 of this volume);
- any other earnings on fund assets, including net interest earnings on funds deposited in an interest-bearing account (total interest minus bank charges incurred on the account); and
- proceeds of any short-term no-interest loans the school makes to the fund in anticipation of receipt of its FCC or of loan collections.

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**Allocation cites**

HEA 462  
34 CFR 673.4(a)

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**Basis for initial allocation**

HEA 462(a)

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**Basis for reallocation**

34 CFR 673.4(a)

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**School's matching share**

34 CFR 674.8 (a)(2)

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**Returned funds**

34 CFR 673.4(d)

## ALLOCATION OF FUNDS

As discussed in *Volume 4 - Campus-Based Common Provisions*, a school applies for program funds annually through the electronic Fiscal Operations Report and Application to Participate (FISAP). The Department allocates funds directly to schools. The allocation for the Federal Perkins Loan Program, the FCC, is the amount of funding the school is authorized to receive from the Department for an award year.

Beginning with the 2000-2001 award year, the Department will base your school's initial FCC allocation on the amount allocated for the 1999-2000 award year.

Your school's matching share or ICC is one-third of the FCC (or 25% of the **combined** FCC and ICC).

If a school returns unexpended Perkins funds, the Department reallocates 80% of the returned funds in accordance with the statutory formula in section 462(i) of the Higher Education Amendments of 1965, as amended, (HEA) and reallocates 20% in a manner that best carries out the purposes of the Federal Perkins Loan Program.

If a school returns more than 10% of its FCC, the Department will reduce the school's FCC for the second succeeding year by the dollar amount returned.

## TRANSFER OF FUNDS

Your school may transfer up to a total of 25% of its total Federal Perkins Loan allocation (initial plus supplemental) for an award year to either or both the Federal Supplemental Educational Opportunity Grant (FSEOG) and Federal Work-Study (FWS) programs.

If your school is a work-college, your school may transfer up to the total Federal Perkins Loan allocation (initial plus supplemental) for an award year to the Work-Colleges Program. (See *Volume 6 - Federal Work-Study* for a description of the Work-Colleges Program.)

Your school must match any Perkins funds transferred to FSEOG or FWS at the matching rate of that program, but the match doesn't have to be made until the transfer has occurred.

You must award transferred Perkins funds according to the requirements of the program to which they are transferred.

You must report any transfer of Perkins funds on the Fiscal Operations Report portion of the FISAP.

A school that transfers funds to the FWS, FSEOG, and/or Work-Colleges programs must transfer any unexpended funds **back** to the Federal Perkins Loan Program at the end of the award year.

A school's future program allocations are not affected by past transferring of funds between programs.

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**Transfer of funds cite**

34 CFR 674.18(b)

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**Work-colleges funds**

A work-college may transfer up to 100 percent of its initial and supplemental Perkins Loan allocations to the Work-Colleges Program. Any unexpended funds must be transferred back to the Federal Perkins Loan Program at the end of the award year.

### **GAPS: Transferred Funds**

Any Perkins funds transferred to FSEOG or FWS must be entered in GAPS as an expenditure against the Perkins program, not the program into which the funds were transferred and used.

## CASH MANAGEMENT

Each year, your school must submit a FISAP; your school must ensure that the information reported is accurate and must submit it on the form and at the time the Department specifies. (See volume 4 for more information about the FISAP.)

Cash management requirements that apply to all FSA programs (Subpart K of the General Provisions) are discussed in volume 2.

## RECORDKEEPING REQUIREMENTS

A school must follow the recordkeeping requirements in the General Provisions (discussed in volume 2), those specific to the campus-based programs, and those specific to the Federal Perkins Loan Program. Perkins Loan records a school must maintain include, but are not limited to:

- documentation of each student’s eligibility for a Perkins Loan;
- documentation of the amount of a Perkins Loan, its payment period, and the calculations used to determine the amount of the loan;
- documentation of the date and amount of each disbursement of Perkins Loan funds;
- information collected at initial and exit loan counseling required by Perkins Loan regulations.

A school must make its records readily available for review by the Department or its authorized representative at an institutional location the Department or its representative designates. Generally, a school must keep records relating to the school’s administration of a campus-based program or the Federal Pell Grant Program for three years after the end of an award year for which the aid was awarded and disbursed under those programs. There are some exceptions to this requirement:

- The school must retain the FISAP containing reported expenditures and any records necessary to support the data contained in the FISAP, including “income grid information,” for three years after the end of the award year in which the FISAP is submitted.
- The school must keep repayment records for Perkins Loans, including records relating to cancellation and deferment requests for at least three years from the date a loan is repaid, cancelled, or assigned to the Department.
- Records questioned in an audit or program review must be kept until the questions are resolved or until the end of the retention period applicable to the records, whichever is later.

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### Recordkeeping cites

34 CFR 668.24  
34 CFR 674.19(e)

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### Records readily available for review cite

34 CFR 668.24(d)

For information on the formats in which a school must keep its campus-based program records, see volume 4.

### ***Repayment history and promissory note***

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#### **Repayment history and promissory note cite**

34 CFR 674.19(e)

In addition to following the recordkeeping requirements mentioned in volume 2 and volume 4, a school must follow the procedures in 34 CFR 674.19 for documentation of a student's Perkins Loan repayment history. The school must maintain a repayment history for each borrower that shows:

- the date and amount of each repayment during the life of the loan;
- the amount of each repayment credited to principal, interest, collection costs, and either penalty or late charges;
- the date, nature, and result of each contact with the borrower (or endorser for loans made prior to July 23, 1992) in the collection of an overdue loan; and
- copies of all correspondence to or from the borrower (and endorser for loans made prior to July 23, 1992), except for bills, routine overdue notices, and routine form letters (demand letters, notices of intent to accelerate, and the like are not considered to be routine form letters).

When a loan has been repaid, the school should mark the note with the phrase "paid in full" and the date the loan was paid in full, have the note certified by a school official, and give or mail the original note to the borrower. The school must keep a copy of the note for at least three years after the date the loan is paid in full.

The school must keep the original signed promissory note and repayment schedule in a locked, fireproof container until the loan is repaid in full or until the original note and schedule are needed to enforce loan collection. Only authorized personnel may have access to these records.

If a promissory note was signed electronically, you must store it electronically and ensure that it can be retrieved in a coherent format.

If the original promissory note is released for the purpose of enforcing repayment, the school must keep a certified true copy. To qualify as a certified true copy, a photocopy (front and back) of the original promissory note must bear the following certification statement signed by the appropriate school official (see next page).

The Department recommends that the school maintain a certified copy of the signed promissory note as well as a record of the full amount owed in its records beyond the three-year record retention requirement.

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## Certification Statement

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*"CERTIFIED TRUE COPY: I declare under penalty of perjury that the foregoing is a true and correct copy of the original Promissory Note.*

*Signature:* \_\_\_\_\_

*Title:* \_\_\_\_\_

*Date:* \_\_\_\_\_ "

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## REIMBURSEMENT TO THE FUND

The Department may require your school to reimburse its Perkins Loan Fund for any outstanding balance on an overpayment or a defaulted loan for which your school failed to record or retain the promissory note, record disbursements, or exercise due diligence. (Previously, the Department did not have the latitude to waive this requirement.)

Your school must also reimburse the Perkins Loan Fund for the amount of the administrative cost allowance claimed on any reimbursed portion of a loan.

You needn't reimburse the Perkins Loan Fund, if your school can recover the defaulted loan or show that the borrower would not have paid the loan even if your school properly exercised due diligence.

Also, you should not reimburse the Perkins Loan Fund for loans on which your school obtains a judgment.

## ASSIGNMENT

Your school must assign to FSA Collections all its Perkins and NDSL loans if:

- the school is closing;
- the school is withdrawing from the Federal Perkins Loan Program; or
- the Department is terminating the school's participation in the program.

A loan may be assigned only during the submission period established by the Department.

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### Assignment cites

34 CFR 674.50

Dear Colleague Letter CB-02-05

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### Assignment address

A school should mail assignments to:

U.S. Department of Education  
Perkins Loan Assignment  
Processing Center  
P.O. Box 4136  
Greenville, TX 75403-4316

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### Perkins loan liquidation procedures cite

Dear Partner Letter CB-00-05, dated May 2000