

The Federal Perkins Loan Program includes Federal Perkins Loans, National Direct Student Loans (NDSLs), and National Defense Student Loans (Defense Loans). (No new Defense Loans were made after July 1, 1972, but a few are still in repayment.) Perkins Loans and NDSLs are low-interest (currently 5%), long-term loans made through school financial aid offices to help needy undergraduate and graduate students pay for postsecondary education.

LOAN TYPES

A loan made to a new borrower under the Federal Perkins Loan Program is a Perkins Loan. (New borrowers should have no outstanding balance on a Defense Loan or NDSL.) If a borrower has an outstanding balance on a Defense Loan or NDSL when the new loan is obtained, the new loan is an NDSL. Loans made from July 1, 1972 through June 30, 1987 were NDSLs. Loans made before July 1, 1972 were Defense Loans.

RECENT CHANGES

Master Promissory Note

The following new definitions will take effect when the Department issues an approved Master Promissory Note.

A **Master Promissory Note (MPN)** is a promissory note under which the borrower may receive loans for a single award year or multiple award years.

The **making of a loan** occurs when the school makes the first disbursement of a loan to a student.

You must ensure that each Perkins Loan is supported by a legally enforceable promissory note.

You can no longer make a loan under an MPN:

- more than 10 years from the date the borrower signed the MPN or the date you received the MPN (schools can still disburse a remaining portion of a loan after this date);
- more than 12 months after the date the borrower signed the MPN, if you make no disbursement under that MPN;
- after the date you are notified by the borrower to stop using the MPN.

Master Promissory Note cites

34 CFR 674.2(b)

34 CFR 674.16(d)(2)

34 CFR 674.16(d)(3)

Electronic promissory note cites

Dear Colleague Letter CB-02-12, dated July 2002
Department's Standards for Electronic Signatures: Dear Colleague Letter GEN-01-06, dated May 2001.

Electronic promissory notes

The Department recently issued electronic versions of Perkins Loan and NDSL promissory notes in Dear Colleague Letter CB-02-12, dated July 2002. Schools that use the electronic versions must adhere to the Department's Standards for Electronic Signatures.

Retention of promissory notes

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

Promissory note cite

34 CFR 674.19(e)(4)

Assignment to Department

When a school closes, it must assign its Perkins Loan portfolio to FSA Collections. (The Department discontinued the practice of directing a school that closes or ends its participation in the Perkins Loan Program to transfer its outstanding Perkins Loans to another school. The regulations no longer list this action as an option for closing schools.)

Assignment to Department cite

34 CFR 674.17

Student Eligibility

When a school writes off a Perkins Loan obligation, the student is relieved of all repayment obligations. The student does not need to reaffirm or repay the written-off amount to gain eligibility for a new Perkins Loan.

Student eligibility cites

34 CFR 674.9
34 CFR 674.47(h)(3)

Minimum monthly repayment

Your school need no longer automatically coordinate minimum monthly payment amounts with other schools. If the borrower wants your school to coordinate minimum monthly payments with another school, she must request such coordination.

Repayment cites

34 CFR 674.33(b)(2)
34 CFR 674.33(b)(3)

Economic hardship deferments

When determining a borrower's eligibility for economic hardship deferment, you must use the borrower's **actual** monthly payment amount if the borrower must pay the loan in 10 years or less.

Deferment cite

34 CFR 674.34(e)(10)(i)

Exit counseling and repayment information disclosure

Your school may employ third party servicers to provide Perkins Loan borrowers with exit counseling.

Exit counseling cites

34 CFR 674.42(b)(1)
34 CFR 674.24(b)(2)(x)
34 CFR 674.42(a)(10)
34 CFR 674.42(a)(11)

The exit counseling must inform the borrower of the availability of Title IV loan information on the National Student Loan Data System (NSLDS).

You need no longer automatically provide the borrower with a copy of the signed promissory note when the borrower ceases to be enrolled at least half time or leaves school. However, in the repayment information disclosure, you must give the borrower the contact information necessary to request a copy of the signed promissory note.

If your school exercises the minimum monthly payment option, you must inform the borrower, as part of the disclosure of repayment information, that if she wants your school to coordinate payments with another school, she must request such coordination.

Late charges

The assessment of late charges on an overdue Perkins Loan borrower is now optional. However, a school that adopts a policy of assessing late charges must impose them on all borrowers with overdue payments. (Charging late fees was previously mandatory.)

Late charges cite

34 CFR 674.43(b)(2)

Credit bureau reporting

You must report an account to credit bureaus as being in default when a borrower fails to respond to the final demand letter or the follow-up telephone contacts.

Credit bureau reporting cite

34 CFR 674.45(a)(1)

Write-offs

You may write off account balances less than \$25.

You may write off account balances less than \$50, if the borrower has been billed for at least 2 years.

Write-off cites

34 CFR 674.47(h)(1)

34 CFR 674.47(h)(3)

The borrower is relieved of all payment obligations when you write off her Perkins Loan. The borrower no longer has to reaffirm previously written-off Perkins Loans in order to receive a new Perkins Loan.

Litigation

Every two years, you must review all accounts with balances more than \$500 for possible litigation.

Litigation cite

34 CFR 674.46(a)(1)

Rehabilitation of defaulted loans

Borrowers may no longer rehabilitate defaulted Perkins Loans on which the holder has obtained a judgment.

Rehabilitation cite

34 CFR 674.39(a)

Regulations removed

The following regulations have been *removed* to eliminate inconsistency:

- The Secretary does not accept assignment of a loan if it was cancelled due to death or total and permanent disability. (Effective July 1, 2002, schools must assign to the Secretary all loans determined eligible for total and permanent disability discharge. Also, if a loan is cancelled due to death, it ceases to exist and therefore cannot be assigned.)
- If the Secretary determines a loan is unenforceable due to school error, the school must reimburse the Perkins Loan fund for the balance. (The Secretary now has the *option* to exercise this requirement.)