

# Table of Contents

## Volume 5 - Perkins Loans

<b>Introduction</b> .....	<b>i</b>
<b>LOAN TYPES</b> .....	<b>1</b>
<b>RECENT CHANGES</b> .....	<b>1</b>
Master Promissory Note, Electronic promissory notes, Retention of promissory notes .....	<b>i</b>
Assignment to Department, Student Eligibility, Minimum monthly repayment, Economic hardship deferments, Exit counseling and repayment information disclosure, Late charges, Credit bureau reporting, Write-offs, Litigation, Rehabilitation of defaulted loans, Regulations removed	
<b>Chapter 1: Participation, Fiscal Procedures, &amp; Records</b> .....	<b>1</b>
<b>PROGRAM PARTICIPATION AGREEMENT</b> .....	<b>1</b>
<b>ALLOCATION OF FUNDS</b> .....	<b>2</b>
<b>TRANSFER OF FUNDS</b> .....	<b>2</b>
<b>CASH MANAGEMENT</b> .....	<b>3</b>
<b>RECORDKEEPING REQUIREMENTS</b> .....	<b>3</b>
Repayment history and promissory note .....	<b>4</b>
<b>REIMBURSEMENT TO THE FUND</b> .....	<b>5</b>
<b>ASSIGNMENT</b> .....	<b>5</b>
<b>Chapter 2: Student Eligibility</b> .....	<b>7</b>
<b>ELIGIBILITY CRITERIA</b> .....	<b>7</b>
<b>OTHER ELIGIBILITY FACTORS</b> .....	<b>8</b>
Willingness to repay, Previous Perkins Loan cancellation due to disability .....	<b>8</b>
Previous Perkins Loan discharged in bankruptcy	
<b>SELECTION PROCEDURES</b> .....	<b>9</b>
<b>Chapter 3: Making &amp; Disbursing Loans</b> .....	<b>11</b>
<b>LOAN MAXIMUMS</b> .....	<b>11</b>
<b>DISCLOSURE TO STUDENTS</b> .....	<b>12</b>
<b>PROMISSORY NOTE</b> .....	<b>13</b>
Master Promissory Note, Approved promissory notes, Closed-end vs. open-end .....	<b>14</b>
Changes in loan amount, Minimum monthly payment option	
<b>GENERAL DISBURSEMENT REQUIREMENTS</b> .....	<b>18</b>
Power of attorney, Frequency of disbursements .....	<b>18</b>
Uneven costs/unequal disbursements, Returning funds disbursed prior to attendance Credit bureau reporting	

## Chapter 4: Repayment ..... 23

<b>GRACE PERIODS</b> .....	23
Initial grace periods, Post-deferment grace periods,.....	23
Initial grace period for less-than-half-time attendance, Calculating the grace period	
<b>PREPAYMENT</b> .....	25
<b>INTEREST ACCRUAL</b> .....	25
<b>ESTABLISHING A REPAYMENT PLAN</b> .....	26
Calculating the payment amount .....	26
<b>MINIMUM MONTHLY REPAYMENT AMOUNTS</b> .....	27
Conditions for minimum monthly repayment, Multiple loans at same school .....	27
Loans from multiple schools, Hardship payment reduction	
<b>PAYMENT PROCESSING</b> .....	29
<b>INCENTIVE REPAYMENT PROGRAM</b> .....	29
<b>ESTABLISHING REPAYMENT DATES</b> .....	30
<b>EXTENDING THE REPAYMENT PERIOD FOR HARDSHIP AND LOW-INCOME INDIVIDUALS</b>	31
<b>DISCHARGE DUE TO DEATH OR TOTAL AND PERMANENT DISABILITY</b> .....	32
Death, Total and permanent disability .....	32
<b>CLOSED SCHOOL DISCHARGE</b> .....	33
<b>BANKRUPTCY DISCHARGE</b> .....	34
Responding to complaint for determination of dischargeability .....	34
Procedures for responding to proposed Chapter 13 repayment plan	
Resuming/terminating billing and collection, Bankruptcies filed before October 8, 1998	
Bankruptcy and student eligibility	

## Chapter 5: Forbearance & Deferment ..... 39

<b>FORBEARANCE</b> .....	39
Hardship .....	40
<b>DEFERMENT</b> .....	40
In-school, Graduate fellowship, Rehabilitation training .....	41
Seeking full-time employment, Economic hardship, Concurrent deferment	
<b>HARDSHIP DEFERMENT FOR LOANS MADE BEFORE JULY 1, 1993</b> .....	45
<b>DEFERMENT EXCLUSIVE TO PERKINS LOANS MADE BEFORE JULY 1, 1993, AND NDSLs MADE BETWEEN OCTOBER 1, 1980 AND JULY 1, 1993</b> .....	45
Service comparable to Peace Corps/ACTION volunteer .....	46
Temporary total disability deferment, Internship/residency deferment	
Parenting deferments	
<b>DEFERMENTS EXCLUSIVE TO LOANS MADE BEFORE OCTOBER 1, 1980</b> .....	48
<b>DEFERMENT AND DEFAULT</b> .....	48
<b>DEFERMENT VS. IN-SCHOOL ENROLLMENT STATUS</b> .....	49

<b>Chapter 6: Cancellation .....</b>	<b>51</b>
<b>TEACHING AND OTHER SERVICE CANCELLATIONS .....</b>	<b>51</b>
<b>CANCELLATION PROCEDURES .....</b>	<b>51</b>
Application, Cancellation rates, Concurrent deferment, Payment refund .....	51
<b>CANCELLATION RESTRICTIONS .....</b>	<b>52</b>
Prior service, Defaulted loans, National and Community Service Act of 1990 .....	52
<b>TEACHER CANCELLATION .....</b>	<b>53</b>
Who is a teacher? .....	53
What qualifies as teaching full time for a full academic year? .....	55
What if the borrower teaches part time at multiple schools? .....	55
What if the borrower teaches in a private school? .....	56
What if the borrower teaches in a preschool or prekindergarten program? .....	56
Cancellation for teaching in low-income schools .....	56
Cancellation for teaching in special education .....	57
Cancellation for teaching in a field of expertise .....	58
<b>NURSE OR MEDICAL TECHNICIAN CANCELLATION .....</b>	<b>58</b>
<b>CHILD OR FAMILY SERVICES CANCELLATION .....</b>	<b>58</b>
<b>EARLY INTERVENTION CANCELLATION .....</b>	<b>58</b>
<b>HEAD START CANCELLATION .....</b>	<b>59</b>
<b>LAW ENFORCEMENT OR CORRECTIONS OFFICER CANCELLATION .....</b>	<b>59</b>
<b>MILITARY SERVICE CANCELLATION .....</b>	<b>60</b>
<b>VOLUNTEER SERVICE CANCELLATION .....</b>	<b>60</b>
<b>U.S. ARMY LOAN REPAYMENT PROGRAM .....</b>	<b>61</b>
<b>REIMBURSING AMOUNTS CANCELED .....</b>	<b>61</b>
<b>DEFINITIONS .....</b>	<b>61</b>
<b>Chapter 7: Due Diligence: Billing &amp; Collection .....</b>	<b>65</b>
<b>GENERAL REQUIREMENTS .....</b>	<b>65</b>
<b>EXIT INTERVIEWS .....</b>	<b>65</b>
<b>DISCLOSURE OF REPAYMENT INFORMATION .....</b>	<b>67</b>
<b>CONTACT DURING GRACE PERIODS .....</b>	<b>68</b>
<b>BILLING PROCEDURES .....</b>	<b>69</b>
Late charges, Notices of overdue payments, Contacting the borrower by telephone .....	69
Contacting the endorser—loans before July 23, 1992, Loan acceleration	
<b>ADDRESS SEARCHES .....</b>	<b>71</b>
<b>COLLECTION PROCEDURES .....</b>	<b>72</b>
Credit bureau reporting, Efforts to collect, Ceasing collection .....	73
Alternatives to litigation, Litigation	
<b>BILLING AND COLLECTION COSTS .....</b>	<b>77</b>
Assessing and documenting costs .....	79
<b>USING BILLING AND COLLECTION FIRMS .....</b>	<b>79</b>
Account protection .....	79

**Chapter 8: Default ..... 81**

- DEFAULT STATUS AND STUDENT ELIGIBILITY ..... 81**
  - Satisfactory repayment arrangements, Loans with judgments ..... 81
  - Previously defaulted loans discharged for school closure
- LOAN REHABILITATION ..... 82**
- ASSIGNMENT ..... 83**
  - Required documentation, Terms of assignment ..... 83
- DEFAULT REDUCTION ASSISTANCE PROJECT ..... 84**
- PERKINS COHORT DEFAULT RATES ..... 85**
  - Defining and calculating the cohort default rate, Borrowers entering repayment ..... 85
  - Borrowers in default, Loan not included in cohort default rate
  - Rules for calculating the number of days in default
- PENALTIES FOR HIGH COHORT DEFAULT RATES ..... 87**

**Appendix A: 2001 Perkins and NDSL Promissory Notes ..... 89**