

The Federal Perkins Loan Program comprises 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 the 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

Student eligibility

Effective July 1, 2002, if the Department has conditionally discharged (see below) the borrower's Perkins Loan or NDSL due to permanent and total disability and the borrower is applying for another Perkins Loan or NDSL, the borrower must:

- submit to the school a physician's certification that the borrower's condition has improved and that he or she is able to engage in substantial gainful activity;
- sign a statement acknowledging that any new or conditionally discharged Perkins Loan or NDSL cannot be discharged on the basis of any present impairment, unless the condition substantially deteriorates to the extent that the definition of total and permanent disability is again met; and
- sign a statement acknowledging that collection activity must resume on any conditionally discharged loans.

Also, the borrower is not eligible to receive any additional loans until the Department resumes collection on any conditionally discharged loans.

Student eligibility cite

34 CFR 674.9(i)

34 CFR 674.9(j)

New promissory notes

The Department issued new promissory notes, available for immediate use, in Dear Partner Letter CB-01-15. The new promissory notes reflect changes required by the Higher Education Amendments of 1998.

Discharge due to death or total and permanent disability

Disability discharge cite

34 CFR 674.61(b)

Effective July 1, 2002, if your school concludes that a borrower is totally and permanently disabled, you must assign the account to the Department for a determination of eligibility for discharge. If the Department makes an initial determination that a borrower is eligible for discharge, the Department will place the loan in a three-year conditional discharge status.