



UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF POSTSECONDARY EDUCATION

THE ASSISTANT SECRETARY

OCT -- 6 2017

DCL ID: GEN-17-10

Subject: Perkins Loan Extension Act of 2015

Summary: This letter provides additional information on the wind-down of the Federal Perkins Loan Program as provided in the Perkins Loan Program Extension Act of 2015 (Pub.L. 114-105) (Extension Act), enacted on December 18, 2015, and as previously described in Dear Colleague Letter GEN-16-05, published on February 17, 2016.

Dear Colleague:

This letter provides important information related to the: (1) expiration of the authority to make new Federal Perkins Loans, (2) distribution of the assets of institutions' Federal Perkins Loan Revolving Fund, and (3) assignment of Perkins Loans to the U.S. Department of Education (the Department).

Expiration of the Authority to Make New Loans and Subsequent Disbursements

Graduate Students - The Extension Act amended section 461 of the Higher Education Act of 1965, as amended (HEA), to end an institution's authority to make new Perkins Loans to graduate students on September 30, 2016. However, if an eligible graduate student received a disbursement of a Perkins Loan before October 1, 2016, for the 2016-2017 award year, the student could receive any subsequent disbursements of that Perkins Loan.

Undergraduate Students - The Extension Act also amended HEA section 461 to end an institution's authority to make new Perkins Loans to undergraduate students on September 30, 2017. However, if an eligible undergraduate student receives a disbursement of a Perkins Loan before October 1, 2017, for the 2017-2018 award year, the student may receive any subsequent disbursements of that Perkins Loan through June 30, 2018.

**No Perkins Loan disbursements are permitted after June 30, 2018, under any circumstances.**

Distribution of Assets from the Federal Perkins Loan Revolving Fund

The Extension Act amended HEA section 466(a) to require each Perkins Loan Program participating institution to return to the Department the Federal share of the institution's Perkins Loan Revolving Fund with the expiration of the authority of institutions to make Perkins Loan disbursements. Since institutions are permitted to make subsequent

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disbursements to eligible borrowers through June 30, 2018, the Department will begin collecting the Federal share of institutions' Perkins Loan Revolving Funds following the submission of the 2019-2020 Fiscal Operations and Application to Participate (FISAP), which is due October 1, 2018.

The process we will use to determine the Federal share of the Perkins Loan Revolving Fund that must be returned to the Department and the institutional share, which must be removed and returned to the institution, will be similar to the Excess Liquid Capital (ELC) process the Department currently has in place in accordance with HEA section 466(c). It is important to note that the ELC process, and therefore the upcoming Perkins Loan Revolving Fund asset distribution process, account for changes in the Institutional Capital Contribution (ICC) matching requirements that have occurred over time, as well as any overmatching by the institution. We will also take into consideration any Federal Capital Contribution (FCC) that had been previously returned by the institution to the Department, and any ICC that was previously returned to the institution. We will not take into consideration unreimbursed cancellation amounts in determining the Federal share of the revolving funds to be returned to the Department because HEA section 465(b) prohibits the use of funds appropriated for FCCs from being used for cancellation reimbursement.

Because, as noted below, institutions may choose to continue servicing their Perkins Loans, the process of requiring the distribution of assets from the Perkins Loan Revolving Fund will continue on a regular basis, until such time as all of the institution's outstanding Perkins Loans held by the institution have been paid in full or otherwise fully retired, or assigned to the Department. Institutions that choose to continue servicing their outstanding Perkins Loan portfolios must continue to service these loans in accordance with the Perkins Loan Program regulations in 34 CFR part 674, and must also continue to report on their outstanding loan portfolio to the Department annually, using the FISAP. An administrative cost allowance cannot be charged against an institution's Perkins Loan Revolving Fund because institutions will no longer be advancing funds to students under the Perkins Loan Program after June 30, 2018.

The Department will provide more information on the distribution of the assets of institutions' Perkins Loan Revolving Funds, including deadlines, prior to the October 1, 2018, FISAP submission deadline.

### Assignment of Loans

Institutions are not required to assign Perkins Loans to the Department or liquidate their Perkins Loan Revolving Funds due to the wind-down of the Perkins Loan Program, however, institutions may choose to liquidate at any time in the future. Institutions may continue to service their Perkins Loans (or contract with a third-party servicer for such servicing), and may assign both **nondefaulted and defaulted** Perkins Loans, or either, to the Department at any time. However, in accordance with 34 CFR 674.50(f), when an institution assigns a loan to the Department, the institution loses all rights and title to

the loan without recompense. This means that the institution will not receive any share of the loan, including any amounts collected on the loan by the Department.

Institutions choosing to liquidate their Federal Perkins Loan portfolio should submit the institution's intent to liquidate electronically using the eCampus-Based System (eCB). For further details, refer to the Assignment and Liquidation Guide (<https://ifap.ed.gov/ifap/cbp.jsp>) located under the Campus-Based Programs Information Page on the Information for Financial Aid Professionals (IFAP) (<http://ifap.ed.gov>) website.

If you have questions about the information in this letter, please contact either Brian Smith at [brian.smith@ed.gov](mailto:brian.smith@ed.gov) or Tamy Garofano at [tamy.garofano@ed.gov](mailto:tamy.garofano@ed.gov). For other campus-based questions, please contact the Campus-Based Call Center at 877-801-7168, or by e-mail at [CBFOB@ed.gov](mailto:CBFOB@ed.gov).

Sincerely,



Kathleen A. Smith  
Acting Assistant Secretary for the  
Office of Postsecondary Education