Coalition of Higher Education Assistance Organizations
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21st Century Perkins Loans

For 60 years, Perkins Loans proved to be one of the most effective and efficient public-private partnerships in the Federal government. More than 30 million students with need have benefited from this program, the original federal loan program, which was funded by contributions from the government and from institutions of higher education. This proposal updates and renews the low-cost Perkins Loan program while maintaining the focus on helping those most in need, local control, and shared responsibility.

1. A One for One Replacement: The current federal share of funds in the Perkins Loan revolving funds attached to each participating campus would be formally allowed to revert back to the Federal treasury. As outstanding loans are paid off, instead of being recycled back for new loans, that money would be sent back. A new amount of Federal funds, equal to or greater than the existing revolving fund when money was last appropriated, would be allocated in place of the previously allocated revolving funds.

2. Maintains Local Control and Shares the Risk: Just as with the current loan program, schools would continue to maintain local control over determining whether their aid is used as a supplement or on an emergency basis for students who experience a shortfall during their semester. The existing school share of Perkins funding would remain as part of the loan program and any new schools receiving federal aid would be required to match a portion of federal funds.

3. Updated Formula: A new amount of Federal funds, equal to or greater than the existing revolving fund when money was last appropriated, would be allocated to existing Perkins Loan campuses and made available to campuses not currently participating in the Perkins program that applied and met parameters for eligibility. These funds would continue to be treated as Federal funds subject to the same Perkins Loan regulations on their use. The "base guaranty" in the existing formula would be phased out and replaced so that newer campuses or campuses that have grown substantially in size are no longer disadvantaged.

4. Maintain In-School Interest Deferral: Currently students who borrow Perkins Loans are not charged interest while in school, deferment, or during the nine-month grace period. Maintaining this in the updated Perkins Loan Program would be best for students.

5. No Origination Fee & Low Interest: Maintain the low 5 percent fixed interest rate for new loans and no loan origination fees.

6. Maintain Cancellation for Public Service: Existing Perkins loans carry a number of public service cancellation provisions, including for teachers in low-income areas, law enforcement, fire fighters, Americorps, VISTA, the Peace Corps, early intervention, librarians, and nurses. Perkins forgiveness is better for borrowers than other Federal loan forgiveness – full forgiveness is available to qualified borrowers after five years and partial forgiveness is available after one year.

7. Servicing Remains School Based: Loan servicing would continue to be done at the institutional level for current Perkins Loan schools and for new schools. Institutions will continue to be able to offer the personalized service and focus on default and delinquency prevention. This will also benefit the Direct Loan Program since schools will be able to work with borrowers on all of their loan issues.

   The terms and conditions of the servicing would be the same as under the current Part E of the Higher Education Act. Institutions have been servicing Perkins Loans for 60 years. They have proven they are capable of doing so. The new law would simply say that Perkins Loans shall be serviced as they are now, with all the oversight and rules in place to ensure that servicers do the job correctly.

For more information, please contact:

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