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For the last 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 benefitted from this program. The Perkins ARC Act updates and renews the low-cost Perkins program while maintaining focus on helping those most in need, maintaining institutional decision-making and control, and reinforcing 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. The bill calls for a six billion dollar appropriation to replace the existing revolving fund.
2. Maintains Local Control and Shares the Risk: Just as with the former 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: The new Federal funds, will be allocated to existing Perkins Loan campuses and made available to campuses not currently participating in the Perkins program that apply and meet 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. The Perkins ARC Act would maintain this provision.
5. No Origination Fee & Low Interest: The Perkins ARC Act would maintain the 5 percent fixed interest rate for new loans and continue the policy of no loan origination fees.
6. Maintain Cancellation for Public Service: The Perkins ARC Act would maintain the existing 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: Under the Perkins ARC Act, servicing and management of the loan will continue at the institutional level. Institutions will continue to be able to offer the personalized service and continue successful 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.