Federal Perkins Loan Program
Fact Sheet

Program Overview

The Federal Perkins Loan Program, formerly the National Defense Student Loan Program, was first authorized by the National Defense Education Act of 1958. The program offered low interest rate loans to students of higher education institutions through campus-based revolving funds – funded by federal capital contributions and matching contributions by institutions. The program expired at the end of Fiscal Year 2017.

Why Perkins?

This need-based program fostered access to post-secondary education for low- income students by providing low interest loans with favorable terms during a period of declining grant availability. **Since 1958, over $28 billion in loans were given out through nearly 26 million awards**.

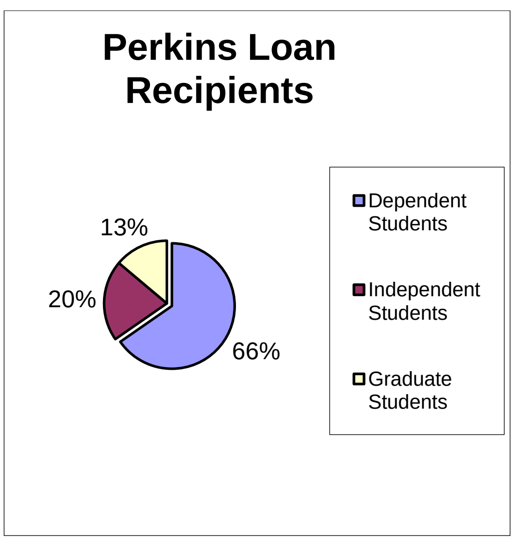
Perkins Borrowers Are Unique

Perkins Loan borrowers were predominantly from lower income families. The following graph depicts the percentages of Perkins Loan borrowers from 2015-2016, the last year Graduate Students were eligible for new loans:

- Families with Dependent Students - *67% of borrowers*
- Independent Undergraduate Students - *20% of borrowers*
- Independent Graduate Students - *13% of borrowers*

Families with Dependent Students comprise the largest percentage of Perkins borrowers. In both Award Year (AY) 2015-2016 and 2016-2017, just about one-third of these families had a total income of less than $30,000.

Many Perkins loan recipients were independent undergraduate students. In AY 2016-2017, 53% of these students have incomes below $12,000 with an additional 17% falling in the $12,000-$19,999 income range. Thus, roughly three-quarters of independent undergraduate Perkins Loans borrowers have incomes less than $20,000.



AY 2016-2017 Income Facts about Dependent Perkins Loan Recipients

- One third of Families with Dependent Students have incomes below $30,000.
- 10% of Families with Dependent Students have incomes below $12,000.

Who Used to be Eligible?

Undergraduate and some graduate students were eligible for Perkins Loans. A school must give priority to students with exceptional financial need as defined by the school using procedures it establishes for that purpose. Before an undergraduate student could receive a loan, the school must have determined his or her eligibility or ineligibility for a Federal Pell grant and a Stafford Loan. A change made in the 2015 legislation extending the Perkins Loan Program limited lending to graduate and professional students only to those who have previously received a Perkins loan. A student engaged in a program of study abroad was eligible for a Perkins Loan.

Favorable Loan Terms

Perkins Loans have an interest rate of 5 percent, which begins to accrue 9 months after the borrower ceases to be a student. There are no origination fees charged. The loans carry a number of public service cancellation provisions, including for teachers in low-income areas, law enforcement, fire fighters, 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.

Program Success

In 2016-2017, according to the Department of Education, more than 355,000 students borrowed nearly $1 billion in Perkins loans, with an average amount of $2,491 awarded per student. The success of the program is a result of the central role of the education institutions that originate the loans, counsel their students through repayment, select contractors for servicing and collection, and ultimately contribute one-third of the capital for the loan. The educational institutions ultimately tailor the program to best fit borrowers' and institutions' situations. Much of Perkins' success is because of this risk-sharing approach.

Impact Since Expiration

COHEAO provided a survey to the nearly 1,000 schools that participate in the Federal Perkins Loan Program. We received responses from 135 Schools (approximately 14%), which have been used to calculate the following results:

1. When asked how schools are filling the gap in student financing that would have otherwise been satisfied by a Perkins Loan, schools reported the following:
   - **39% - Reported that students would need to secure funding from alternative or unknown sources;**
   - **38%** - Reported the availability of institutional loans or tuition payment plans;
   - **23%** - Reported the availability of *some* institutional assistance through tuition discounting or institutional scholarships.

2. In addition to Perkins filling a critical gap in affordable financing, **80% of schools reported using Perkins loans as emergency funding when all other Federal Aid options were exhausted**.

3. Schools reported having over 314,000 student with registration holds on their accounts due to unmet financial need. Of those students:
   - **57% (179,200 students) - will need to secure alternative funding on their own;**
   - 24% (74,500 students) – might be supplemented with other aid;
   - **19% (60,600 students) - will be forced to leave school.**

For Additional Information About the Federal Perkins Loan Program Contact:

Harrison Wadsworth · COHEAO Executive Director
Robert Moran · COHEAO Associate Director
202-289-3910 · www.coheao.com