Your Perkins Portfolio
What is Your Strategy?

COHEAO ANNUAL CONFERENCE
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Agenda

- Portfolio Assessment & Strategy
- Distribution of Assets Process
- Distribution of Assets Calculation
- Perkins Loan Assignment Process
- Required Assignment of Defaulted Loans
- Advocacy & Grassroots
- Q & A

Portfolio Assessment Strategy

Portfolio Strategies

- Why Continue to Service your Perkins Portfolio?
  - Recover your institution's investment (ICC).
  - Utilize the ICC to fund an institutional loan program or provide additional aid to students.
  - Convert as many loans to paid-in-full as possible (fewer loans to assign in the future = less work and less liability).
  - Clean up and/or reconcile your Perkins portfolio with NSLDS and third party agencies before liquidating.
  - Set up a reserve account with your ICC. Rejected loans result in a cost to the campus – must buy the loan(s) if you can't resolve.
  - Foster the borrower/alumni relationship – reduce confusion for the borrower.

Portfolio Strategies

- How to Maximize your Portfolio's Earnings
  - Ensure that all delinquent accounts are placed with your top-performing agencies – recirculate those that have been idle.
  - Leverage the advanced technologies of your top-performing agencies such as data scrubs for bankruptcy, death and disability; skip-tracing technologies, credit monitoring, etc…
  - Assign non-performing defaulted accounts to the Department of Education to reduce your monthly servicing costs and reduce your overall default %.

In Summary…

- Evaluate your Perkins Portfolio
  - What are the costs and benefits of servicing
- Communicate with decision-makers on campus
  - Discuss costs, benefits, risks and resources
- Maximize Returns and Minimize Risk
  - Recirculate idle accounts to your collection agencies
  - Reinvest ICC returns into an Institutional Loan Program and/or set up a fund to cover the cost of rejected loans if there is risk
  - Reduce the operational costs of servicing the program with efficiencies
  - Assign old, non-performing loans ASAP
  - Review your due diligence procedures and documentation
  - Request a Perkins Loan Reconciliation Report from NSLDS (REC005)

Distribution of Assets Process

Federal Perkins Loan Revolving Fund 2020-21 Distribution of Assets

- The Department requires a capital distribution from the institution's Perkins Fund on an annual basis.
- All institutions with cash in the institution's Perkins Fund were notified by the Department on December 22, 2020 by email.
- If your institution still has not completed FISAP corrections, or did not have Cash on Hand, you may not have received this notice.
- The deadline by which the federal and institutional shares are to be removed and returned is February 19, 2021.
- The federal share is to be returned using the Miscellaneous Refunds option on the Department's G5 system.

Federal Perkins Loan Revolving Fund 2020-21 Distribution of Assets

- The institutional share and cancellation reimbursement must be removed from the fund and returned to the institution.
- The amount an institution is reimbursed for cancellations may be a partial reimbursement depending on the Cash on Hand balance.
- If a school has already **liquidated** its Perkins portfolio, **no reimbursement** for cancellations is given.
- The school can use its institutional share of the funds however it wants, **except** that those funds cannot be kept in the Revolving Fund or used to make new Perkins loans.

Distribution of Assets Calculation

Distribution of Assets Calculation 2020

- Required Information:
  1. 2019-20 FISAP
     - Proportional Share Calculation
     - Cancellation Reimbursement
  2. Distribution of Assets Notification from ED
- Order of the Calculation:
  1. Institutional Share to be returned to the Institution:
     - Cash on Hand (June 30, 2020) x ICC Proportional Share %
  2. Cancellation Reimbursement:
     - Unreimbursed Cancellations (2020 FISAP) x ICC Proportional Share % less Reimbursements after 7/1/2019
  3. Federal Share to be Returned:
     - Cash on Hand remaining after deducting 1 and 2 above

Federal Perkins Loan Revolving Fund 2020-21 Distribution of Assets Notice

Your institution reported CASH ON HAND in your Perkins Fund in the amount of $517,621.00. You are required to remove and return the following amounts from the Perkins Fund by Feb. 19, 2021 and will be **required to report these amounts on the 2022–23 FISAP submitted on Oct. 1, 2021**:

Return to the Institution:

- Return $51,888.00 to your institution. This is your institution's share of the cash in the Perkins Fund and should be reported in **Field 30.2 in Part III, Section A.**
- Return $10,775.00 to your institution. This is your institution's service cancellation reimbursement for this year and should be reported in **Field 28.2 in Part III, Section A and Field 13 in Part III, Section B.**

Return to the Department:

- Return $454,958.00 to the Department. This is the remaining amount of the federal share after removing your institution's service cancellation reimbursement and is due to the Department by Feb. 19, 2021 and should be reported in **Field 28.1 in Part III, Section A.**

To ensure that your institution's federal share is received and processed on time, you must use the Miscellaneous Refunds option on the Department's G5 system (https://g5.gov)

Part III. Federal Perkins Loan Program for Award Year July 1, 2019 through June 30, 2020

Section A. Fiscal Report (Cumulative) as of June 30, 2020

Field Item	Amount (a)	Number of Borrowers (b)	Debit Balances (c)	Credit Balances (d)
34.1. Administrative cost allowance	$_____			
34.2. Collection costs	$_____			
34.3. Administrative cost allowance and collection costs (control)			$_____	
Cost of loan principal and interest canceled for the following categories:				
35. teaching/military service (applies to loans made prior to 07/01/1972)			$_____	
36. certain subject matter teaching service (math, science, foreign languages, bilingual education)			$_____	
37. all other authorized pre-K or K-12 teaching service (applies to loans made 07/01/1972 and after)			$_____	
38. military service (applies to loans made 07/01/1972 and after)			$_____	
39. volunteer service in the Peace Corps or under the Domestic Volunteer Service Act of 1973			$_____	
40. law enforcement and corrections officer service			$_____	
41. child/family/early intervention service			$_____	
42. nurse/medical technician service			$_____	
43. pre-K or child care program staff member service			$_____	
44. service as an attorney in a public defender organization			$_____	
45. fire fighter service			$_____	
46. Tribal College or University faculty service			$_____	
47. librarian service			$_____	
48. speech-language pathology service			$_____	

Total the Service Cancellations on lines 36 - 48

Example Calculation

Campus	Total Assessment	Federal Share	Institutional Share	Cancellation Reimbursement	Total to Institution
ABC University	1,031,638	857,896	167,641	6,101	173,742
2019-20 FISAP Part III, Sec A					
Line 27 FCC	5,771,251				
Line 28.3 Repmt of FCC/Canc.>7/2019	618,007				
Net Fed Cap Contribution	**5,153,244**				
Line 29.3 Total ICC	1,440,492				
Line 30.3 Repayment of ICC	440,792				
Net Inst Cap Contribution	**999,700**				
Net Inst Cap Contribution	999,700				
Net ICC + Net FCC	6,152,944				
Net Inst. Share %	**16.25%**				
Calculated ICC Distribution					
Line 1 - Cash on Hand 6/30/2020	1,031,638				
ICC% from 2019 FISAP Calculation	16.25%				
Calculated Inst share of COH	167,641				
Actual Distribution	167,641				
Difference	**0**				
2019-20 FISAP Part III, Sec A					
Cancellation Reimbursement					
Cancellations Lines 36-48	681,095				
Cancellation Reimb. Line 33	345,517				
Total Unreimbursed Cancellations	335,578				
Icc %	16.25%				
School Portion of Outstanding	54,531				
Line 28.2 Service Canc. Reimb. >7/2019	48,431				
Total Unreimbursed Cancellations	**6,100**				
Actual Distribution	6,101				
Difference	**(1)**				

1. Input the information across the top from your Distribution of Assets email Notice.

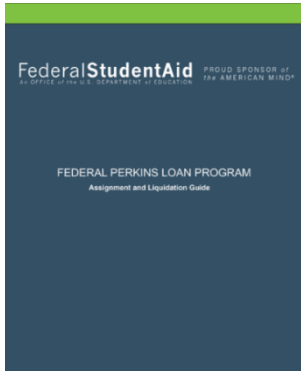
2. Input these highlighted cells from your 2019 - 20 FISAP.

3. Input these highlighted cells from your 2019-20 FISAP.

Perkins Loan Assignment Process

Updated Perkins Loan Assignment and Liquidation Guide

- The Perkins Assignment and Liquidation Guide is divided into two parts:
  - **Part I** provides schools that are not liquidating with the procedures for assigning loans to the Department
  - **Part II** provides information and procedures about the liquidation process



- The Guide has three appendices:
  - Appendix A provides contact information.
  - Appendix B is a quick reference guide for the liquidation process
  - Appendix C provides an “Assignments at a Glance” table, showing what documentation is required or not required when submitting loans for assignment to the Department.

Assignment Documentation

- Required Documentation for Loan Assignments:
  - **Assignment Manifest**
  - **Perkins Assignment Form** – Form 1845 (formerly 553)
  - **Original Perkins Promissory Note** (MPN) or certified copy
  - **Repayment history** for all payments made, detailing how the payments were applied
  - **Disbursement Records** (required when assigning loans made with a Perkins MPN or when requesting a review for alternative documentation)
  - **Judgment or bankruptcy documents**, if applicable
    - If the court rules that the loan cannot be discharged, all documentation supporting the court decision must be included

Top Reasons for Rejected Assignments
(1-8 may be Re-Assigned Once Corrected)

1. Promissory Note (PN) or Master Promissory Note (MPN) missing borrower signature
2. Loan disbursed prior to PN or MPN being signed
3. PN or MPN is missing
4. Outdated or missing payment histories
5. Assignment Form is expired
   - Current Assignment Form: OMB #1845-0048 Expires: 12/31/2021
6. Loans aren't separated by disbursement year (i.e. bundled loans)
7. Bankruptcy documents missing
8. Judgment documents missing
9. Borrower is deceased or has total and permanent disability

Assignments: Alternative Documentation Process

- There is a ***relatively*** new process for requesting approval to assign loans with missing or defective documentation (e.g., incomplete, unsigned promissory notes, etc.)
- Such loans require affirmative approval by the Department before they can be assigned.
- You must explain the reason for requesting approval and affirm to the Department that all records have been searched and the documentation does not exist.
- Detail the alternative documentation included for review.
- The request and explanation for each loan requiring affirmative approval ***must be emailed separately*** to PerkinsLoanAssignments@ed.gov.

Assignments: Alternative Documentation Process

- Include a completed assignment form and supporting documentation that proves the **borrower acknowledged the debt** and any documentation that would **substantiate the debt** made by the school.
  - **Affirmation of Debt:** Entrance, exit, benefit request, payments, payment arrangement, borrower correspondence, etc.
  - **Proof of Debt:** evidence of payment/disbursement to the student's account; e.g., copies (front and back) of signed disbursement checks or vouchers.
- You **must** protect any documents containing sensitive, personally identifiable information by encrypting the email and any attachments.
- Any email containing personal identifiable information that is NOT protected will be deleted and the sender notified to resubmit information with appropriate encryption.

Assignments: Alternative Documentation Process

- Alternative Documentation requests can be made either before submitting a loan for assignment – or after an assignment is rejected.
- The Department will review and evaluate the request and either approve or deny the request by sending an emailed response to the school.
- Denied requests ***may*** result in the school having to purchase the loan(s).
- If the school receives approval for alternate documentation, the school must include the approval email and the exact documentation that was approved with the assignment package it sends to ECSI.

Required Assignment of Defaulted Perkins Loans

Department's Communication on Perkins Loans in Default for Two or More Years Electronic Announcement (9/16/19)

- **Section 463(a)(4)(A)** of the Higher Education Act states that if an institution knowingly failed to maintain an acceptable collection record for a defaulted Federal Perkins Loan, the ***Secretary may require the institution to assign the loan*** to the Department of Education without recompense.
- With the wind-down of the Perkins Loan Program, the Secretary will require assignment to the Department of all Perkins loans that have been in default for two or more years.
- ***The fact that a loan has been in default for more than two years suggests a lack of compliance*** with the collection procedure criteria established by regulation.

Department's Communication on Perkins Loans in Default for Two or More Years Electronic Announcement (9/16/19)

- Therefore, unless the institution provides documentation of ***an acceptable collection record*** for loans that have been in default for two or more years, the institution will be required to assign such loans to the Department.
- We will notify institutions individually of their obligation to provide documentation of their collection efforts on these loans and the deadline by which loans without documentation must be assigned.

Department's Communication on Perkins Loans in Default for Two or More Years Electronic Announcement (9/16/19)

- If the institution, or the firm it engages, pursues collection activity for up to 12 months and is not successful in converting the account to regular repayment status, or the borrower does not qualify for deferment, postponement, or cancellation on the loan, the institution shall:
  1. Litigate in accordance with the procedures in § 674.46;
  2. Make a second effort to collect the account as follows:
     a. If the institution first attempted to collect the account using its own personnel, it shall refer the account to a collection firm.
     b. If the institution first attempted to collect the account by using a collection firm, it shall either attempt to collect the account using institution personnel, or place the account with a different collection firm; or
  3. Submit the account for assignment to the Secretary in accordance with the procedures set forth in § 674.50.

Assigning Perkins Loans in Default for Two or More Years

- The Department sent the first round of Assignment notices to approximately 75 schools in February 2020.
- The schools selected in the first round reported on their 2019 FISAP, statistics showing that 75% or more of their outstanding Perkins loans were two or more years in default.
- The letter stated: *"if you are not currently **collecting or litigating** on these loans, your institution must assign all of these defaulted loans to the Department no later than **90 days** from the date of this letter."*
- If you want to continue servicing any of the defaulted loans, you can contact the Department by phone or email – (***only after receiving the notice)***. Requests will be dealt with on a case-by-case basis.

Assigning Perkins Loans in Default for Two or More Years

- The second round of notices are expected to go out soon – possibly this month.
- The Department hasn't stated what the cutoff default percentage is for this round,
- It is important to review your portfolio. Work with your third-party agencies to review the status of placed loans and recirculate loans that have been idle.
- **Begin assigning your very old, non-performing, uncollectible Perkins Loans.** Do not wait for the notice.
- COHEAO is advocating for a change to this requirement.
- The Department wants schools to maintain, what they consider, a **healthy** Perkins portfolio.

What is a Healthy Perkins Portfolio?

Section C. Cumulative Repayment Information as of June 30, 2020

Status of Borrowers as of June 30, 2020	Amount (a)	Number of Borrowers (b)	Amount Lent (c)	Principal Amount Outstanding (d)
1.1. Borrowers whose loans are fully retired		_____	$_____	
1.2. Loans that have been purchased	$_____			
2. Borrowers whose loans were assigned to and officially accepted by the U.S. Department of Education as of June 30, 2020 (Note: Field 2 equals the sum of Field 2.1 plus Field 2.2.)		_____	$_____	$_____
2.1. Assignments due to default or liquidation		_____	$_____	$_____
2.2. Assignments due to total and permanent disability discharge		_____	$_____	$_____
3. Total borrowers not in repayment status		_____		$_____
4. Borrowers on schedule in repayment status		_____		$_____
5.1. In default less than 240 days (monthly installments) or less than 270 days (other installments)		_____	$_____	$_____
5.2. In default 240 days or more (monthly installments) or 270 days or more (other installments), up to 2 years		_____	$_____	$_____
5.3. In default more than 2 years but not more than 5 years		_____	$_____	$_____
5.4. In default more than 5 years		_____	$_____	$_____

Department's Focus for the assignment of defaulted loans.

What is a Healthy Perkins Portfolio?

	Number of Borrowers (b)
3. Total borrowers not in repayment status	772
4. Borrowers on schedule in repayment status	810
5.1. In default less than 240 days (monthly installments) or less than 270 days (other installments)	167
5.2. In default 240 days or more (monthly installments) or 270 days or more (other installments), up to 2 years	63
5.3. In default more than 2 years but not more than 5 years	69
5.4. In default more than 5 years	385

To calculate the overall default percentage:

1. Add the number of borrowers on lines 5.3 and 5.4	454
2. Add the number of borrowers on lines 3 thru 5.4	2,266
3. Divide the total from line 1 by the total from line 2	**20.04%**

The Department would interpret this as **20%** of the overall portfolio is in default. This campus will probably not be in the next round of required assignment notifications because those are likely to go to schools with a default percentage of 50% or greater.

Advocacy Activity

Perkins Advocacy – COHEAO Efforts

- Letter to Education Committee requesting campus-based servicing provision be included in Reauthorization
  - COHEAO and ACE were the lead
  - 85 Institutions and Higher Education Associations signed on
- Perkins ARC (Access, Retention & Completion) Loan Program
  - COHEAO's reauthorization proposal for replacement program
  - Direct funding from U.S. Treasury, school-based servicing
- COHEAO Efforts for ACA Replacement
  - Reimburses schools who service Perkins portfolio
  - Requesting language in the appropriations bill that would make the payment to schools by the Department of Education mandatory rather than optional

Higher Ed Wants Campus Servicing

- COHEAO organized a letter to Congress, endorsed by the American Council of Education calling for the addition of campus-based servicing to the College Affordability Act's Perkins program
- Letter written for higher education associations and campuses to sign
- 85 organizations signed & letter sent to Congress
- *"…we strongly urge you to include a provision that allows campus based servicing of Perkins loans…"*

COHEAO's Perkins Access, Retention & Completion (ARC) Loan

- Revised Perkins-style plan extended to more schools with better funding mechanism
- Terms like legacy Perkins: 5%, no in-school interest, public service forgiveness
- Includes Grad students
- Includes more schools
- Campus-based awards and servicing
- Funding limited nationally and per institution

Administrative Cost Allowance (ACA)

- June 30, 2018 was last date for schools to charge ACA to the Perkins fund.
- ACA or similar funding is key to sustaining quality campus-based servicing and institutions should be compensated.
- COHEAO advocated for a change in the law and Congress twice passed spending bills that provides ED with the authority to pay schools that service their Perkins loans.
- *"…funds appropriated under this heading **may be available** for payments for student loan servicing to an institution of higher education that services outstanding Federal Perkins Loans under part E of title IV of the Higher Education Act of 1965…"*
- But…ED and OMB: **No action so far!**
- Line on FISAP for reporting cost of servicing

Become a Member of COHEAO

- **Membership Benefits:**
  - Free Webinars
  - Regulatory & Legislative Updates – Torch & Sparks
  - Lead organization on Perkins advocacy
  - A LOT More than just Perkins:
    - Advocacy and training on legal and compliance issues that impact you and your institution directly
    - TCPA & CFPB Compliance
    - Student Tuition and Accounts Receivable (STAR),
    - Roundtable Discussions with Subject Matter Experts
    - Institutional Loan Task Force
    - Financial Wellness – Newsletters, Training, Whitepapers
    - A Voice on Capitol Hill – Advocacy and Relationships
  - Institutional membership rates are very affordable: $210 - $595 based on FTE (**10% discount when you join within 30 days of this presentation**).

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Questions…