COHEAO

The Coalition of Higher Education Assistance Organizations

The Federal Perkins Loan Program
Critical - Unique - Proven

Program Overview

The Federal Perkins Loan Program was first authorized in 1958 and is the nation's longest running student loan program. The Perkins Loan Program provides subsidized, low-interest loans to assist undergraduate and graduate students with economic need to finance the cost of higher education. Loans are made through campus-based revolving funds established from a combination of Federal and institutional contributions to the fund. Perkins loans fill a critical gap that exists for many students after federal grant and Stafford loan funds are applied.

Institutional Accountability and Program Success

The success of this loan program is a result of the central role played by higher education institutions that originate the loans, counsel their students, and work closely with the students throughout their entire repayment process. **The Perkins Loan Program is a risk-sharing program** in which institutions contribute at least one-third of the funds that go towards their students' awards. This "ownership interest" greatly contributes to the successful management of this vital program.

Favorable Loan Terms

Perkins Loans have a 5% fixed interest rate which begins to accrue nine months after the borrower ceases to be enrolled as at least a half-time student. There are no origination fees. Perkins loans also offer more favorable forgiveness options for borrowers than any other federal loan program. Full or partial forgiveness is available to borrowers who work in designated, high-need, public-service areas. During a time of rising student loan indebtedness, the loan forgiveness aspect of this unique program provides financial relief to students and encourages public service in rural and inner-city communities.

Recipients

In 2012-2013, close to 500,000 students with need were awarded nearly $1 billion in Perkins loans, with an average amount of $1,957 awarded per student. This funding is critical to students who would otherwise be forced to borrow less beneficial private loans or leave school altogether. Perkins loan recipients are predominantly from lower income families as detailed below:

- 67% of Perkins borrowers are dependent students - 34% of whom are from families with household incomes of less than $30,000.
- 20% of Perkins borrowers are independent students, 70% of whom have personal incomes of less than $20,000.
- 13% are graduate students, for whom no other low-cost subsidized loan program is available.

Moving Perkins Forward

This proven and longstanding loan program is in jeopardy. In order to keep the Perkins Loan Program alive, Congress needs to reauthorize the program or it will sunset on October 1, 2015. This program provides critical support to students with economic need. It offers low costs to students, flexible repayment terms and generous forgiveness options that are public service oriented. It is administered at the school level to provide a highly efficient, self-sustaining program with accountability, transparency, and risk-sharing.

For more information, contact COHEAO at COHEAO@gmail.com
Harrison Wadsworth, Executive Director of COHEAO
hwadsworth@wpllc.net (202) 289-3910